

(Convenience translation of financial statements and auditor's report  
originally issued in Turkish – See Section three Note 2)

# **Koç Finansman Anonim Şirketi**

**Financial statements together with independent auditor's report  
for the year ended December 31, 2013**

(Convenience translation of financial statements and auditor's report originally issued in Turkish – See Section three Note 2)

## **Koç Finansman A.Ş.**

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**(Convenience translation of auditor's report originally issued in Turkish)**

**Independent auditor's report for the period January 1 - December 31, 2013**

To the Board of Directors of  
Koç Finansman Anonim Şirketi

We have audited the accompanying balance sheet of Koç Finansman Anonim Şirketi (the Company) as of December 31, 2013 and the related statements of income, income and expenses and other comprehensive income, cash flows and changes in shareholders' equity for the year then ended, and a summary of significant accounting policies and explanatory notes.

**Disclosure for the responsibility of the Company's Board of Directors:**

The Company's Board of Directors is responsible for establishing and maintaining effective internal control over financial reporting to prevent misstatements caused by error or fraud that are material to the financial statements; and for selecting and applying appropriate accounting principles in compliance with the "Communiqué on Uniform Chart of Accounts, Disclosures and Form and Nature of Financial Statements to be Issued by Leasing, Factoring and Consumer Finance Companies" published in the Official Gazette dated December 24, 2013 and numbered 28861, Turkish Accounting Standards, Turkish Financial Reporting Standards and other regulations, communiqués, interpretations and circulars published by the Banking Regulation and Supervision Agency ("BRSA") on accounting and financial reporting principles.

**Disclosure for the responsibility of the authorized audit firm:**

Our responsibility, as independent auditors, is to express an opinion on these financial statements based on our audit. Our independent audit has been implemented in accordance with the "Regulation on Authorization and Activities of Institutions to Conduct Independent Audit in Banks" published on the Official Gazette numbered 26333 on November 1, 2006 and the International Standards on Auditing. We planned and conducted our audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. An audit includes using audit techniques for the purpose of obtaining evidence supporting the amounts and disclosures in the financial statements; the selection of these audit techniques is made in accordance with our professional judgment by taking into consideration the effectiveness of the internal controls relevant to the entity's preparation and fair presentation of the financial statements and assessing the appropriateness of the applied accounting policies. However, our purpose is not to express an opinion on the effectiveness of the entity's internal control but to design the audit techniques appropriate in the circumstances. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion stated below.

**Independent auditor's opinion:**

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Koç Finansman Anonim Şirketi as of December 31, 2013 and the results of its operations and its cash flows for the year then ended in accordance with regulations, communiqués, interpretations and circulars published by the BRSA on accounting and financial reporting principles (please refer to Section Three, Note 2).

**Additional paragraph for convenience translation into English of financial statements originally issued in Turkish:**

As explained in detail in Note 2 of Section Three, the accompanying financial statements are presented in accordance with regulations, communiqués, interpretations and circulars published by the BRSA on accounting and financial reporting principles. The effects of differences between the accounting principles and standards set out by regulations, communiqués, interpretations and circulars published by the BRSA, and accounting principles generally accepted in the countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi  
A member firm of Ernst & Young Global Limited

Damla Harman  
Partner in charge

February 18, 2014  
Istanbul, Turkey

**(Convenience translation of financial statements originally issued in Turkish – see Section 3, Note 2)**

## **Section two**

### **Financial statements**

- I. Balance sheet (statement of financial position)
- II. Statement of off-balance sheet accounts
- III. Statement of income
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(Convenience translation of financial statements originally issued in Turkish - see Section 3, Note 2)

## KOÇ FİNANSMAN A.Ş.

### Balance sheets

as of December 31, 2013 and 2012

(Currency – Turkish Lira (TL) unless otherwise stated)

Assets	Notes (Section 4)	December 31, 2013			December 31, 2012		
		TL	FC	Total	TL	FC	Total
1. Cash and cash equivalents	(I-1)	4.400.997	453.836	4.854.833	-	-	-
2. Financial assets at fair value through profit and loss (net)	(I-2)	-	-	-	-	-	-
2.1 Financial assets - held for trading		-	-	-	-	-	-
2.2 Financial assets at fair value through profit and loss		-	-	-	-	-	-
2.3 Derivative financial assets - held for trading		-	-	-	-	-	-
3. Banks	(I-3)	4.976.688	5.393.192	10.369.880	8.122.609	39.597.400	47.720.009
4. Receivables from reverse repo transactions	(I-4)	-	-	-	-	-	-
5. Available for sale financial assets (net)	(I-5)	-	-	-	-	-	-
6. Financing loans	(I-6)	1.730.831.340	-	1.730.831.340	1.520.421.724	-	1.520.421.724
6.1 Consumer financing loans		1.129.540.898	-	1.129.540.898	1.043.637.754	-	1.043.637.754
6.2 Credit cards		-	-	-	-	-	-
6.3 Commercial installment loans		601.290.442	-	601.290.442	476.783.970	-	476.783.970
7. Other Receivables	(I-7)	3.343.166	-	3.343.166	2.061.392	-	2.061.392
8. Non-performing loans	(I-8)	26.207.334	-	26.207.334	27.120.144	-	27.120.144
8.1 Non-performing financing loans	(I-8)	51.777.563	-	51.777.563	42.148.232	-	42.148.232
8.2 Specific provisions (-)	(I-8)	(25.570.229)	-	(25.570.229)	(15.028.088)	-	(15.028.088)
9. Derivative financial assets for hedging purposes	(I-9)	-	15.698.688	15.698.688	-	1.116.235	1.116.235
9.1 Fair value hedge		-	-	-	-	-	-
9.2 Cash flow hedge		-	15.698.688	15.698.688	-	1.116.235	1.116.235
9.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
10. Held to maturity investments (net)	(I-10)	-	-	-	-	-	-
11. Investments in subsidiaries (net)	(I-11)	-	-	-	-	-	-
12. Investments in associates (net)	(I-12)	12.502	-	12.502	12.502	-	12.502
13. Joint ventures (net)	(I-13)	-	-	-	-	-	-
14. Tangible assets (net)	(I-14)	786.186	-	786.186	1.025.024	-	1.025.024
15. Intangible assets (net)	(I-15)	449.633	-	449.633	247.914	-	247.914
15.1 Goodwill		-	-	-	-	-	-
15.2 Other		449.633	-	449.633	247.914	-	247.914
16. Pre-Paid Expenses	(I-16)	1.041.689	-	1.041.689	355.062	-	355.062
17. Current tax asset	(I-17)	-	-	-	-	-	-
18. Deferred tax asset	(I-18)	-	-	-	1.265.139	-	1.265.139
19. Other Asset	(I-19)	96.755	-	96.755	154.417	-	154.417
Sub Total		1.772.146.290	21.545.716	1.793.692.006	1.560.785.927	40.713.635	1.601.499.562
17. Assets held for sale and discontinued operations (net)	(I-20)	670.799	-	670.799	1.328.887	-	1.328.887
17.1 Held for sale		670.799	-	670.799	1.328.887	-	1.328.887
17.2 Discontinued operations		-	-	-	-	-	-
<b>Total assets</b>		<b>1.772.817.089</b>	<b>21.545.716</b>	<b>1.794.362.805</b>	<b>1.562.114.814</b>	<b>40.713.635</b>	<b>1.602.828.449</b>

The accompanying notes are integral part of these financial statements.

**KOÇ FİNANSMAN A.Ş.**

**Balance sheets**  
**as of December 31, 2013 and 2012**  
**(Currency – Turkish Lira (TL) unless otherwise stated)**

Liabilities and shareholders' equity	Notes (Section 4)	December 31, 2013			December 31, 2012		
		TL	FC	Total	TL	FC	Total
<b>1. Derivative financial liabilities - held for trading</b>		-	-	-	-	-	-
<b>2. Funds borrowed</b>	(II-1)	814.786.783	155.121.075	969.907.858	518.747.208	224.431.626	743.178.834
<b>3. Lease payables</b>	(II-2)	-	-	-	-	-	-
3.1 Finance lease payables		-	-	-	-	-	-
3.2 Operating lease payables		-	-	-	-	-	-
3.3 Other		-	-	-	-	-	-
3.4 Deferred finance lease expenses ( - )		-	-	-	-	-	-
<b>4. Marketable securities issued (net)</b>	(II-3)	604.970.142	-	604.970.142	649.803.943	-	649.803.943
4.1 Bills		-	-	-	-	-	-
4.2 Asset backed securities		-	-	-	-	-	-
4.3 Bonds		604.970.142	-	604.970.142	649.803.943	-	649.803.943
<b>5. Miscellaneous payables</b>	(II-4)	6.141.299	-	6.141.299	5.503.191	42.547	5.545.738
<b>6. Other liabilities</b>	(II-5)	6.160.062	-	6.160.062	5.410.711	-	5.410.711
<b>7. Derivative financial liabilities for hedging purposes</b>	(II-6)	-	-	-	-	3.712.551	3.712.551
7.1 Fair value hedge		-	-	-	-	-	-
7.2 Cash flow hedge		-	-	-	-	-	-
7.3 Hedge of net investment in foreign operations		-	-	-	-	3.712.551	3.712.551
<b>8. Taxes and duties payable</b>	(II-7)	4.419.262	-	4.419.262	5.003.607	-	5.003.607
<b>9. Provisions</b>	(II-8)	21.286.325	-	21.286.325	9.914.426	-	9.914.426
9.1 Restructuring provision		-	-	-	-	-	-
9.2 Reserve for employee rights		1.829.747	-	1.829.747	1.656.299	-	1.656.299
9.3 Other provisions		19.456.578	-	19.456.578	8.258.129	-	8.258.129
<b>10. Deferred Income</b>	(II-9)	5.923.726	-	5.923.726	8.808.821	-	8.808.821
<b>11. Current Tax Liabilities</b>	(I-10)	904.007	-	904.007	1.288.921	-	1.288.921
<b>12. Deferred Tax Liabilities</b>	(I-11)	1.675.557	-	1.675.557	-	-	-
<b>13. Subordinated Loans</b>	(II-12)	-	-	-	-	-	-
<b>Sub Total</b>		1.466.267.162	155.121.075	1.621.388.237	1.204.480.831	228.186.724	1.432.667.555
<b>14. Liabilities for the assets held for sale and discontinued operations (net)</b>	(II-13)	-	-	-	-	-	-
14.1 Held for sale		-	-	-	-	-	-
14.2 Discontinued operations		-	-	-	-	-	-
<b>15. Shareholders' equity</b>	(II-14)	172.974.568	-	172.974.568	170.160.894	-	170.160.894
15.1 Paid-in capital	(II-14.1)	100.000.000	-	100.000.000	100.000.000	-	100.000.000
15.2 Capital reserves		-	-	-	-	-	-
15.2.1 Premiums on sale of share certificates		-	-	-	-	-	-
15.2.2 Share cancellation profits		-	-	-	-	-	-
15.2.3 Other capital reserves		-	-	-	-	-	-
15.3 Items that will not be reclassified to profit or loss		(30.131)	-	(30.131)	-	-	-
15.4 Items that may be reclassified subsequently to profit or loss	(II-14.4)	923.448	-	923.448	(1.188.474)	-	(1.188.474)
15.5 Profit reserves		40.084.231	-	40.084.231	35.909.625	-	35.909.625
15.5.1 Legal reserves		12.638.701	-	12.638.701	8.366.716	-	8.366.716
15.5.2 Statutory reserves		-	-	-	-	-	-
15.5.3 Extraordinary reserves		27.445.530	-	27.445.530	27.542.909	-	27.542.909
15.5.4 Other profit reserves		-	-	-	-	-	-
15.6 Profit or loss		31.997.020	-	31.997.020	35.439.743	-	35.439.743
15.6.1 Prior year income / (loss)		1.265.137	-	1.265.137	-	-	-
15.6.2 Current year income / (loss)		30.731.883	-	30.731.883	35.439.743	-	35.439.743
<b>Total liabilities and equity</b>		<b>1.639.241.730</b>	<b>155.121.075</b>	<b>1.794.362.805</b>	<b>1.374.641.725</b>	<b>228.186.724</b>	<b>1.602.828.449</b>

The accompanying notes are integral part of these financial statements.

(Convenience translation of financial statements originally issued in Turkish - see Section 3, Note 2)

**KOÇ FİNANSMAN A.Ş.**

**Statement of off balance sheet accounts**

**as of December 31, 2013 and 2012**

**(Currency – Turkish Lira (TL) unless otherwise stated)**

Off-balance sheet items	Notes (Section 4)	December 31, 2013			December 31, 2012		
		TL	FC (*)	Total	TL	FC(*)	Total
<b>I. Factoring transactions (risks assumed)</b>		-	-	-	-	-	-
<b>II. Factoring transactions (risks not assumed)</b>		-	-	-	-	-	-
<b>III. Guarantees received</b>	(III-1)	61.745.367	-	61.745.367	45.805.597	5.347.800	51.153.397
<b>IV. Guarantees given</b>	(III-2)	304.741	-	304.741	185.875	-	185.875
<b>V. Commitments</b>		2.740.958.057	219.129.818	2.960.087.875	2.467.430.074	312.407.436	2.779.837.510
5.1 Irrevocable commitments	(III-3)	-	-	-	-	-	-
5.2 Revocable commitments	(III-3)	2.740.958.057	219.129.818	2.960.087.875	2.467.430.074	312.407.436	2.779.837.510
5.2.1 Lease commitments		-	-	-	-	-	-
5.2.1.1 Financial lease commitments		-	-	-	-	-	-
5.2.1.2 Operating lease commitments		-	-	-	-	-	-
5.2.2 Other revocable commitments		2.740.958.057	219.129.818	2.960.087.875	2.467.430.074	312.407.436	2.779.837.510
<b>VI. Derivative financial instruments</b>	(III-4.1)	100.183.189	113.551.697	213.734.886	173.710.791	163.559.240	337.270.031
6.1 Derivative financial instruments for hedging purposes	(III-4.1)	100.183.189	113.551.697	213.734.886	173.710.791	163.559.240	337.270.031
6.1.1 Fair value hedge		-	-	-	-	-	-
6.1.2 Cash flow hedge	(III-4.1)	100.183.189	113.551.697	213.734.886	173.710.791	163.559.240	337.270.031
6.1.3 Hedge of net investment in foreign operations		-	-	-	-	-	-
6.2 Held for trading transactions	(III-4.2)	-	-	-	-	-	-
6.2.1 Forward buy/sell transactions		-	-	-	-	-	-
6.2.2 Swap buy/sell transactions		-	-	-	-	-	-
6.2.3 Option buy/sell transactions	(III-4.2)	-	-	-	-	-	-
6.2.4 Futures buy/sell transactions		-	-	-	-	-	-
6.2.5 Other		-	-	-	-	-	-
<b>VII. Items held in custody</b>	(III-5)	110.245.885	2.966.523	113.212.408	174.875	-	174.875
<b>Total off-balance sheet accounts</b>		3.013.437.238	335.648.038	3.349.085.276	2.687.307.212	481.314.476	3.168.621.688

The accompanying notes are integral part of these financial statements.

**KOÇ FİNANSMAN A.Ş.**
**Statements of income**  
**for the years ended December 31, 2013 and 2012**  
**(Currency – Turkish Lira (TL) unless otherwise stated)**

Statement of income	Notes (Section 4)	January 1 December 31, 2013	January 1 December 31, 2012
<b>I. Gross operating income</b>	(IV-1)	<b>233.446.188</b>	<b>214.497.371</b>
1.1 Interest income on loans		198.549.569	184.033.678
1.2 Fees and commission income received from loans		34.896.619	30.463.693
<b>II. Financial expenses (-)</b>		<b>(151.171.001)</b>	<b>(145.520.594)</b>
2.1 Interest on funds borrowed		(70.685.323)	(69.557.631)
2.2 Interest on factoring payables		-	-
2.3 Finance lease expense		-	-
2.4 Interest on securities issued		(66.247.849)	(58.832.628)
2.5 Other interest expenses		(3.386)	(9.161)
2.6 Fees and commissions given		(14.234.443)	(17.121.174)
<b>III. Gross Profit/(Loss) (I-II)</b>		<b>82.275.187</b>	<b>68.976.777</b>
<b>IV. Operating expenses (-)</b>	(IV-2)	<b>(39.170.776)</b>	<b>(30.345.510)</b>
4.1 Personnel expenses		(15.975.257)	(16.860.460)
4.2 Provision expense for employment termination benefits		(101.888)	(197.650)
4.3 Research and development expenses		-	-
4.4 General administration expenses		(10.552.398)	(9.266.895)
4.5 Other operating expenses		(12.541.234)	(4.020.505)
<b>V. Gross Operating Profit/(Loss) (III+IV)</b>		<b>43.104.411</b>	<b>38.631.267</b>
<b>VI. Other operating income</b>	(IV-3)	<b>47.669.841</b>	<b>47.635.443</b>
6.1 Interest received from banks		6.131.826	6.734.958
6.2 Interest received from reverse repo agreements		-	-
6.3 Interest received from marketable securities portfolio		-	1.771
6.3.1 held for trading financial assets		-	1.771
6.3.2 Financial assets at fair value through profit and (loss)		-	-
6.3.3 Available-for-sale financial assets		-	-
6.3.4 Held to maturity investments		-	-
6.4 Dividend income		-	-
6.5 Trading gains		6.581	553.911
6.5.1 Derivative financial transactions		6.581	553.911
6.5.2 Other		-	-
6.6 Foreign exchange gains		39.390.327	34.569.313
6.7 Other operating income		2.141.107	5.775.490
<b>VII. Specific provisions for non-performing Loans (-)</b>	(IV-4)	<b>(10.622.965)</b>	<b>(7.087.669)</b>
<b>VIII. Other operating expenses (-)</b>	(IV-5)	<b>(38.916.297)</b>	<b>(34.893.109)</b>
8.1 Marketable securities impairment		-	-
8.1.1 Financial assets at fair value through profit and (loss) impairment		-	-
8.1.2 Available-for-sale financial assets		-	-
8.1.3 Held to maturity investments		-	-
8.2 Fixed assets impairment		-	-
8.2.1 Tangible assets impairment		-	-
8.2.2 Non-current Assets held for sale and discontinued operations impairment		-	-
8.2.3 Goodwill impairment		-	-
8.2.4 Other intangible assets impairment		-	-
8.2.5 Impairment of associates, subsidiaries and joint ventures		-	-
8.3 Derivative financial transaction losses		(80.104)	(64.075)
8.4 Foreign exchange losses		(38.836.193)	(34.829.034)
8.5 Other		-	-
<b>IX. Net operating profit / (loss) (V+..+VIII)</b>		<b>41.234.990</b>	<b>44.285.932</b>
<b>X. Excess amount recorded as income after merger</b>		-	-
<b>XI. Profit / (loss) on net monetary position</b>		-	-
<b>XII. Profit / loss before taxes from continuing operations (IX+X+XI)</b>		<b>41.234.990</b>	<b>44.285.932</b>
<b>XIII. Provision for taxes on profit for continuing operations (±)</b>		<b>(10.503.107)</b>	<b>(8.846.189)</b>
13.1 Current tax provision		(8.082.859)	(12.025.075)
13.2 Deferred tax expense effect (+)		(2.420.248)	-
13.3 Deferred tax income effect (-)		-	3.178.886
<b>XIV. Net profit / loss for continuing operations (XII±XIII)</b>		<b>30.731.883</b>	<b>35.439.743</b>
<b>XV. Income from discontinued operations</b>		-	-
15.1 Income from Non-current assets held for sale		-	-
15.2 Profit from sales of associates, subsidiaries and joint ventures		-	-
15.3 Other income from discontinued operations		-	-
<b>XVI. Expenses from discontinued operations (-)</b>		-	-
16.1 Expenses for non-current assets held for sale		-	-
16.2 Loss from sales of associates, subsidiaries and joint ventures		-	-
16.3 Other expenses from discontinued operations		-	-
<b>XVII. Profit / loss before taxes from discontinued operations (XV-XVI)</b>		-	-
<b>XVIII. Provision for taxes on income for discontinued operations (±)</b>		-	-
18.1 Current tax provision		-	-
18.2 Deferred tax expense effect (+)		-	-
18.3 Deferred tax income effect (+)		-	-
<b>XIX. Net profit / loss from discontinued operations (XVII±XVIII)</b>		-	-
<b>XX. Net profit / loss (XIV+XIX)</b>		<b>30.731.883</b>	<b>35.439.743</b>
Earnings / losses per share		0,003	0,004

The accompanying notes are integral part of these financial statements.

**KOÇ FİNANSMAN A.Ş.**

**Statements of income and expenses and other comprehensive income  
for the years ended December 31, 2013 and 2012  
(Currency – Turkish Lira (TL) unless otherwise stated)**

	December 31, 2013	December 31, 2012
<b>I. Profit/loss for the period</b>	<b>30.731.883</b>	<b>35.439.743</b>
<b>II. Other comprehensive income</b>	<b>2.081.791</b>	<b>(3.335.625)</b>
<b>2.1 Items that will not be reclassified to profit or loss</b>	<b>(30.131)</b>	<b>-</b>
2.1.1 Tangible assets revaluation increase/decrease	-	-
2.1.2 Intangible assets revaluation increase/decrease	-	-
2.1.3 Gains / losses from remeasurement of defined pension benefit plans	(37.664)	-
2.1.4 Other comprehensive income components that will not be reclassified to profit or loss	-	-
2.1.5 Taxes on Items that will not be reclassified to profit or loss	7.533	-
2.1.5.1 Current tax income / expense	-	-
2.1.5.2 Deferred tax income / expense	7.533	-
<b>2.2 Items that may be reclassified subsequently to profit or loss</b>	<b>2.111.922</b>	<b>(3.335.625)</b>
2.2.1 Foreign exchange differences for foreign currency transactions	-	-
2.2.2 Gains / losses from reclassification and revaluation of available for sale financial assets	-	-
2.2.3 Gains / losses from hedge for cash flow risk	2.639.903	(4.169.531)
2.2.4 Gains / losses from derivative financial instruments for hedge of net investment in foreign operations	-	-
2.2.5 Other comprehensive income components that may be reclassified to profit or loss	-	-
2.2.6 Taxes on Items that may be reclassified to profit or loss	(527.981)	833.906
2.2.6.1 Current tax income / expense	-	-
2.2.6.2 Deferred tax income / expense	(527.981)	833.906
<b>XII. Total comprehensive income for the period (X±XI)</b>	<b>32.813.674</b>	<b>32.104.118</b>

The accompanying notes are integral part of these financial statements.

(Convenience translation of financial statements originally issued in Turkish - see Section 3, Note 2)

**KOÇ FİNANSMAN A.Ş.**

**Statements of changes in shareholders' equity for the years ended December 31, 2013 and 2012**  
(Currency – Turkish Lira (TL) unless otherwise stated)

	Note (Section 4)	Paid-in Capital	Items that will not be reclassified to profit or loss	Items that may be reclassified subsequently to profit or loss	Legal Reserves	Extraordinary Excess Reserve	Current Period Profit/Loss	Prior Period Net Profit/Loss	Current Period Net Profit/Loss	Total Shareholders' Equity
			Gain / (losses) on remeasurement of defined benefit plans	Gain / (losses) on cash flow hedge						
<b>Changes in shareholders' equity</b>										
I. Prior Period Beg. Balance (January 1, 2012)	(II- 14.1)	100.000.000	-	2.147.151	5.261.359	15.963.295	32.107.081	2.577.890	34.684.971	158.056.776
II. Changes According to TAS 8		-	-	-	-	-	-	-	-	-
2.1 Effects of Adjustments for Error		-	-	-	-	-	-	-	-	-
2.2 Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	-
III. Revised Balance (I+II)	(II- 14.1)	100.000.000	-	2.147.151	5.261.359	15.963.295	32.107.081	2.577.890	34.684.971	158.056.776
IV. Total comprehensive income		-	-	-	-	-	-	-	-	-
V. Capital Increase in cash		-	-	-	-	-	-	-	-	-
VI. Capital increase from Internal resources		-	-	-	-	-	-	-	-	-
VII. Inflation adjustment on paid-in capital		-	-	-	-	-	-	-	-	-
VIII. Bonds Convertible to Shares		-	-	-	-	-	-	-	-	-
IX. Subordinated Loans		-	-	-	-	-	-	-	-	-
X. Increase/decrease from other changes		-	-	(3.335.625)	-	-	-	-	-	(3.335.625)
XI. Current Period Profit or loss		-	-	-	-	-	35.439.743	-	35.439.743	35.439.743
XII. Profit Distribution		-	-	-	3.105.357	11.579.614	(32.107.081)	(2.577.890)	(34.684.971)	(20.000.000)
12.1 Dividend Paid		-	-	-	-	-	(20.000.000)	-	(20.000.000)	(20.000.000)
12.2 Transfers to Reserves		-	-	-	3.105.357	11.579.614	(12.107.081)	(2.577.890)	(14.684.971)	-
12.3 Other		-	-	-	-	-	-	-	-	-
<b>Period End Balance (December 31, 2012)</b>	(II- 14.1)	100.000.000	-	(1.188.474)	8.366.716	27.542.909	35.439.743	-	35.439.743	170.160.894
I. Prior Period Beg. Balance (January 1, 2013)	(II- 14.1)	100.000.000	-	(1.188.474)	8.366.716	27.542.909	35.439.743	-	35.439.743	170.160.894
II. Changes According to TAS 8		-	-	-	-	-	-	-	-	-
2.1 Effects of Adjustments for Error		-	-	-	-	-	-	-	-	-
2.2 Effects of the Changes in Accounting Policies		-	-	-	-	-	-	-	-	-
III. Revised Balance (I+II)	(II- 14.1)	100.000.000	-	(1.188.474)	8.366.716	27.542.909	35.439.743	-	35.439.743	170.160.894
IV. Total comprehensive income		-	-	-	-	-	-	-	-	-
V. Capital Increase in cash		-	-	-	-	-	-	-	-	-
VI. Capital increase from Internal resources		-	-	-	-	-	-	-	-	-
VII. Inflation adjustment on paid-in capital		-	-	-	-	-	-	-	-	-
VIII. Bonds Convertible to Shares		-	-	-	-	-	-	-	-	-
IX. Subordinated Loans		-	-	-	-	-	-	-	-	-
X. Increase/decrease from other changes		-	(30.131)	2.111.922	-	-	-	-	-	2.081.791
XI. Current Period Profit or loss		-	-	-	-	-	30.731.883	-	30.731.883	30.731.883
XII. Profit Distribution		-	-	-	4.271.985	(97.379)	(35.439.743)	1.265.137	(34.174.606)	(30.000.000)
12.1 Dividend Paid		-	-	-	-	(97.379)	(29.902.621)	-	(29.902.621)	(30.000.000)
12.2 Transfers to Reserves		-	-	-	4.271.985	-	(5.537.122)	1.265.137	(4.271.985)	-
12.3 Other		-	-	-	-	-	-	-	-	-
<b>Period End Balance (December 31, 2013)</b>	(II- 14.1)	100.000.000	(30.131)	923.448	12.638.701	27.445.530	30.731.883	1.265.137	31.997.020	172.974.568

The accompanying notes are integral part of these financial statements.

**KOÇ FİNANSMAN A.Ş.**
**Statements of cash flows**  
**for the years ended December 31, 2013 and 2012**  
**(Currency – Turkish Lira (TL) unless otherwise stated)**

	Notes (Section 4)	December 31, 2013	December 31, 2012
<b>A. Cash flows from operations</b>			
<b>1.1 Operating profit before changes in operating assets and liabilities</b>		<b>50.890.859</b>	<b>142.543.048</b>
1.1.1 Interests received/lease income		194.958.716	190.079.145
1.1.2 Lease expenses		-	-
1.1.3 Dividend received		-	-
1.1.4 Fees and commissions received		34.896.619	25.581.942
1.1.5 Other income		-	-
1.1.6 Collections from previously written off loans		53.256.514	31.729.746
1.1.7 Payments to personnel and service suppliers		(15.975.257)	16.860.460
1.1.8 Taxes paid		(7.772.004)	(12.221.376)
1.1.9 Others		(208.473.729)	(109.486.869)
<b>1.2 Changes in operating assets and liabilities</b>		<b>(22.613.614)</b>	<b>(194.357.565)</b>
1.2.1 Net (increase) decrease in financing loans		(249.196.206)	(276.007.890)
1.2.2 Net (increase) decrease in other assets		(1.252.651)	14.508.551
1.2.3 Net increase (decrease) in factoring liabilities		-	-
1.2.3 Net increase (decrease) in lease liabilities		-	-
1.2.4 Net increase (decrease) in funds borrowed		226.862.285	88.804.789
1.2.5 Net increase (decrease) in due payables		-	-
1.2.6 Net increase (decrease) in other liabilities		972.958	(21.663.015)
<b>I. Net cash provided from operations</b>		<b>28.277.245</b>	<b>(51.814.517)</b>
<b>B. Cash flows from investing activities</b>			
2.1 Cash paid for purchase of subsidiaries, associates and joint ventures		-	-
2.2 Cash obtained from sale of subsidiaries, associates and joint ventures		-	-
2.3 Fixed assets purchases	(I-13,14)	(842.407)	(1.049.430)
2.4 Fixed assets sales		34.831	1.942
2.5 Cash paid for purchase of available for sale financial assets		-	-
2.6 Cash received from sale of available for sale financial assets		-	-
2.7 Cash paid for purchase of held to maturity financial assets		-	-
2.8 Cash received from sale of held to maturity financial assets		-	-
2.9 Other		-	-
<b>II. Net cash provided from investing activities</b>		<b>(807.576)</b>	<b>(1.047.488)</b>
<b>C. Cash flows from financing activities</b>			
3.1 Cash obtained from funds borrowed and securities issued		255.000.000	464.833.000
3.2 Cash used for repayment of funds borrowed and securities issued		(295.000.000)	(370.000.000)
3.3 Securities issued		-	-
3.4 Dividends paid		(30.000.000)	(20.000.000)
3.5 Payments for finance leases		-	-
3.6 Other		-	-
<b>III. Net cash provided from financing activities</b>		<b>(70.000.000)</b>	<b>74.833.000</b>
<b>IV. Effect of change in foreign exchange rate on cash and cash equivalents</b>		<b>5.306.923</b>	<b>(931.439)</b>
<b>V. Net increase / (decrease) in cash and cash equivalents</b>		<b>(37.223.408)</b>	<b>21.039.556</b>
<b>VI. Cash and cash equivalents at the beginning of the year</b>	(I-3)	<b>47.593.288</b>	<b>26.553.732</b>
<b>VII. Cash and cash equivalents at the end of the year</b>	(I-3)	<b>10.369.880</b>	<b>47.593.288</b>

The accompanying notes are integral part of these financial statements.

**KOÇ FİNANSMAN A.Ş.**
**Profit distribution table**  
**for the years ended December 31, 2013 and 2012**  
**(Currency – Turkish Lira (TL) unless otherwise stated)**

	December 31, 2013	December 31, 2012
<b>I. Distribution of current year income</b>		
1.1 Current year profit (*)	41.234.990	44.285.937
1.2 Taxes and funds payable(-)	(10.503.107)	(8.846.189)
1.2.1 Corporate tax (Income tax)	(8.082.859)	(12.025.075)
1.2.2 Income withholding tax	-	-
1.2.3 Other taxes and duties(**)	(2.420.248)	3.178.886
<b>A. Net income for the year (1.1-1.2)</b>	<b>30.731.883</b>	<b>35.439.748</b>
1.3 Prior year losses(-)	-	(1.771.987)
1.4 First legal reserves (-)	-	-
1.5 Other statutory reserves(-)	-	-
<b>B. Net profit available for distribution [(a)-(1.3+1.4+1.5)]</b>	<b>30.731.883</b>	<b>33.667.761</b>
1.6 First dividend to shareholders (-)	-	(30.000.000)
1.6.1 To owners of ordinary shares	-	(30.000.000)
1.6.2 To owners of preferred shares	-	-
1.6.3 To owners of preferred shares (pre-emptive rights)	-	-
1.6.4 To profit sharing bonds	-	-
1.6.5 To holders of profit and loss sharing certificates	-	-
1.7 Dividends to personnel (-)	-	-
1.8 Dividends to board of directors (-)	-	-
1.9 Second dividend to shareholders (-)	-	-
1.9.1 To owners of ordinary shares	-	-
1.9.2 To owners of preferred shares	-	-
1.9.3 To owners of preferred shares (pre-emptive rights)	-	-
1.9.4 To profit sharing bonds	-	-
1.9.5 To holders of profit and loss sharing certificates	-	-
1.10 Second legal reserves (-)	-	(2.500.000)
1.11 Statutory reserves (-)	-	-
1.12 Extraordinary reserves	-	97.379
1.13 Other reserves	-	(1.265.139)
1.14 Special funds	-	-
<b>II. Distribution of reserves</b>		
2.1 Distributed reserves	-	-
2.2 Second legal reserves(-)	-	-
2.3 Dividends to shareholders (-)	-	-
2.3.1 To owners of ordinary shares	-	-
2.3.2 To owners of preferred shares	-	-
2.3.3 To owners of preferred shares (pre-emptive rights)	-	-
2.3.4 To profit sharing bonds	-	-
2.3.5 To holders of profit and loss sharing certificates	-	-
2.4 Dividends to personnel (-)	-	-
2.5 Dividends to board of directors (-)	-	-
<b>III. Earnings per share</b>		
3.1 To owners of ordinary shares	-	-
3.2 To owners of ordinary shares ( % )	-	0,0035
3.3 To owners of preferred shares	-	-
3.4 To owners of preferred shares ( % )	-	-
<b>IV. Dividend per share</b>		
4.1 To owners of ordinary shares	-	30.000.000
4.2 To owners of ordinary shares ( % )	-	0,0030
4.3 To owners of preferred shares	-	-
4.4 To owners of preferred shares ( % )	-	-

(\*) General Assembly is the responsible body of the Company related to the distribution of current period income. There is no General Assembly meeting held as of the reporting date.

(\*\*) Deferred tax income is presented in other taxes and duties line and are not subject to profit distribution and kept under extraordinary reserves.

The accompanying notes are integral part of these financial statements.

## KOÇ FİNANSMAN A.Ş.

### Notes to financial statements as of December 31, 2013 (Currency – Turkish Lira (TL) unless otherwise stated)

#### Section three

#### Accounting principles

##### 1. Organization and nature of operations of the Company

Koç Finansman A.Ş. (the “Company”) was established on January 3, 1995 in İstanbul under the name of Koç Tüketici Finansmanı A.Ş. and is a member of the Koç Group of companies. At the Board of Directors meeting dated December 25, 2007, the Company has decided to amend its Articles of Association to include the ability to operate as an insurance agency and to provide mortgage loans within its main operations.

Any type of purchases of goods and services are financed by the company in accordance with the ‘Financial leasing, Factoring, Consumer Finance’ law enacted in December 13, 2013 numbered 6361. The Company mainly finances automotive loans and expands its dealer network through financing different brands.

The Company has changed its legal name as ‘Koç Finansmanı A.Ş.’ on the trade registry Gazette dated March 22, 2013 dated 8284.

As of December 31, 2013, there are 127 personnel working at the Company. (December 31, 2012: 128). The Company is registered in Turkey and the address of the registered office is as follows as of date of preparation of these financial statements:

Koç Finansman A.Ş.

Ünalan Mahallesi Ayazma Caddesi  
Koç Çamlıca İş Merkezi A Blok  
34700 Üsküdar- İstanbul

As of December 31, 2013, the principal shareholders of the Company and their respective shareholdings in the Company are as follows:

	%
Arçelik A.Ş.	47,00
Koç Holding A.Ş.	44,50
Other shareholders	8,50
<b>Total paid-in-capital</b>	<b>100,00</b>

The financial statements as of and for the year ended December 31, 2013 were approved by the Board of Directors on February 18, 2014 and signed by board member Pınar Kitapçı and Nevzat Tüfekçioğlu member of Board responsible from financial reporting. General Assembly and certain regulatory bodies have the authority to amend the statutory financial statements after issue.

## **KOÇ FİNANSMAN A.Ş.**

### **Notes to financial statements as of December 31, 2013 (continued)** **(Currency –Turkish Lira (TL) unless otherwise stated)**

## **2. Basis of presentation of financial statements**

### **2.1 Explanation on basis of preparation**

#### **2.1.1 Accounting standards**

The Company maintains its books of account and prepares its financial statements in Turkish lira ("TL") in accordance with the "Communiqué on Uniform Chart of Accounts, Disclosures and Form and Nature of Financial Statements to be Issued by Leasing, Factoring and Consumer Finance Companies" ("Financial Statement Communiqué") issued by the Banking Regulation and Supervision Agency ("BRSA") in the Official Gazette dated December 24, 2013, numbered 28861; and in accordance with Turkish Accounting Standards /Turkish Financial Reporting Standards ("TAS/IFRS") issued by the Turkish Accounting Standards Board ("TASB") and their additions and interpretations and with the "Communiqué on Rules and Regulations Regarding Provision for Receivables of Financial Leasing, Factoring and Financing Companies" issued by BRSA in the Official Gazette numbered 28861 on December 24, 2013.

Table formats have changed accordance to "Communiqué on Uniform Chart of Accounts, Disclosures and Form and Nature of Financial Statements to be issued by Leasing, Factoring and Consumer Finance Companies" ("Financial Statement Communiqué") in the Official Gazette dated December 24, 2013, numbered 28861. These changes have revised mutual for December 31, 2013 and December 31, 2012 financial statements.

Financial statements have been prepared based on historical cost convention except for the fair value measurement of derivative financial instruments.

#### **2.1.2 Offsetting**

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

## **2.2 Changes in accounting policies**

### **2.2.1 Comparatives and revisions in previous period's financial statements**

In order to enable the determination of the financial position and performance trends, the Company's financial statements have been presented comparatively with the prior period. The Company presented the balance sheet as of December 31, 2013 comparatively with the balance sheet as of December 31, 2012 and presented the statement of income, statement of income and expenses accounted under equity, statement of cash flows and statement of changes in shareholders' equity for the year ended December 31, 2013 comparatively with the year ended December 31, 2012.

## **Classifications**

Income Statement:

"Incentive Expense" amounting to TL 15.402.684 and accounted under IV. Gross operating expense/4.4 General administrative expense was reclassified under II. Financial expense / 2.6 Fees and commissions given.

Insurance brokerage and pledge removal income, acceleration letter expense, sms delivery fees, early payment penalty amounting to TL 4.924.357 in VI. Other Operating Income / 6.7 Other account, were reclassified to I. Main Operating Income / 1.2 Fees and Commissions From Financing Loans.

Provision no longer required amounting to TL 980.793 in VI. Other Operating Income / 6.7 Other account was reclassified to IV. Main Operating Income / 4.5 Other account.

**KOÇ FİNANSMAN A.Ş.**

**Notes to financial statements as of December 31, 2013 (continued)**  
**(Currency –Turkish Lira (TL) unless otherwise stated)**

**2. Basis of presentation of financial statements (continued)**

Deferred tax expense amounting to TL 921.186 in XIII. Continuing Operations Tax Provision / 13.2 Deferred Tax Expense Effect account was recalssified to 13.3 Deferred Tax Income Effect account.

*Balance Sheet:*

Loans amounting to TL 1.372.311 in the 6.1 Consumer Loans account were reclassified to 6.3 Installment Commercial Loans account.

Current tax liability amounting to TL 1.288.921in 9.3 Other Provisions in passive items was reclassified to 11. Current Tax Liability account group.

**2.2.2 The new standards, amendments and interpretations**

The accounting policies adopted in preparation of the financial statements as at 31 December 2013 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of 1 January 2013. The effects of these standards and interpretations on the Company's financial position and performance have been disclosed in the related paragraphs.

**The new standards, amendments and interpretations which are effective as at 1 January 2013 are as follows:**

**TFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendment)**

The amendment requires the disclosure of the rights of the entity relating to the offsetting of the financial instruments and some information about the related regulations (eg, collateral agreements). New disclosures would provide users of financial statements with information that is useful in;

- i) Evaluating the effect or potential effect of netting arrangements on an entity's financial position and,
- ii) Analyzing and comparing financial statements prepared in accordance with TFRSs and other generally accepted accounting standards.

New disclosures have to be provided for all the financial instruments in the statement of financial position that have been offset according to TAS 32. Such disclosures are applicable to financial instruments in the statement of financial position that have not been offset according to TAS 32 but are available for offsetting according to main applicable offsetting regulations or other financial instruments that are subject to a similar agreement. The amendment affects disclosures only and did not have any impact on the interim financial statements of the Company.

**TAS 1 Presentation of Financial Statements (Amended) – Presentation of Items of Other Comprehensive Income**

The amendments to TAS 1 change only the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time would be presented separately from items which will never be reclassified. The amendments will be applied retrospectively. The amendment affects presentation only and did not have an impact on the financial position or performance of the Company.

**KOÇ FİNANSMAN A.Ş.**

**Notes to financial statements as of December 31, 2013 (continued)**  
**(Currency –Turkish Lira (TL) unless otherwise stated)**

**2. Basis of presentation of financial statements (continued)**

**TAS 19 Employee Benefits (Amended)**

Numerous changes or clarifications are made under the amended standard. Among these numerous amendments, the most important changes are removing the corridor mechanism, for determined benefit plans recognizing remeasurement gain/(loss) under other comprehensive income and making the distinction between short-term and other long-term employee benefits based on expected timing of settlement rather than employee entitlement. The Company used to recognize the actuarial gain and loss in the income statement before this amendment. The effects of the change arising from the recognition of the actuarial gains/losses under profit or loss or other comprehensive income is disclosed as of December 31, 2013 in Section II Note 9.

**TAS 27 Separate Financial Statements (Amended)**

As a consequential amendment to TFRS 10 and TFRS 12, the POA also amended TAS 27, which is now limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. This amendment did not have any impact on the financial position or performance of the Company.

**TAS 28 Investments in Associates and Joint Ventures (Amended)**

As a consequential amendment to TFRS 11 and TFRS 12, the POA also amended TAS 28, which has been renamed TAS 28 Investments in Associates and Joint Ventures, to describe the application of the equity method to investments in joint ventures in addition to associates. Transitional requirement of this amendment is similar to TFRS 11. This amendment did not have any impact on the financial position or performance of the Company.

**TFRS 10 Consolidated Financial Statements**

TFRS 10, TAS 27 Consolidated and Separate Financial Statements address the accounting for consolidated financial statements. A new definition of control is introduced, which is used to determine which entities are consolidated. This is a principle based standard and require preparers of financial statements to exercise significant judgement. This amendment did not have any impact on the financial position or performance of the Company.

**TFRS 11 Joint Arrangements**

The standard describes the accounting for joint ventures and joint operations with joint control. Among other changes introduced, under the new standard, proportionate consolidation is not permitted for joint ventures. This standard did not have any impact on the financial position or performance of the Company.

**TFRS 12 Disclosure of Interests in Other Entities**

TFRS 12 includes all of the requirements that are related to disclosures of an entity's interests in subsidiaries, joint arrangements, associates and structured entities. This standard did not have any impact on the financial position or performance of the Company.

**TAS 13 Fair Value Measurement**

The new Standard provides guidance on how to measure fair value under TFRS but does not change when an entity is required to use fair value. It is a single source of guidance under TFRS for all fair value measurements. The new standard also brings new disclosure requirements for fair value measurements. The new disclosures are only required for periods beginning after TFRS 13 is adopted. The Company provided these disclosures in Section 5.

**KOÇ FİNANSMAN A.Ş.**

**Notes to financial statements as of December 31, 2013 (continued)**  
**(Currency –Turkish Lira (TL) unless otherwise stated)**

**2. Basis of presentation of financial statements (continued)**

**Transition Guidance (Amendments to TFRS 10, TFRS 11 and TFRS 12)**

The amendments change the transition guidance to provide further relief from full retrospective application. The date of initial application is defined as ‘the beginning of the annual reporting period in which TFRS 10 is applied for the first time’. The assessment of whether control exists is made at ‘the date of initial application’ rather than at the beginning of the comparative period. If the control assessment is different between TFRS 10 and TAS 27/SIC-12, retrospective adjustments should be determined. However, if the control assessment is the same, no retrospective application is required. If more than one comparative period is presented, additional relief is given to require only one period to be restated. For the same reasons POA has also amended TFRS 11 Joint Arrangements and TFRS 12 Disclosure of Interests in Other Entities to provide transition relief. These amendments did not have any impact on the interim financial statements of the Company.

**Improvements to TFRS**

Annual Improvements to IFRSs – 2009 – 2011 Cycle, which contains amendments to its standards, is effective for annual periods beginning on or after January 1, 2013. This project did not have an impact on the financial position or performance of the Company.

*TAS 1 Financial Statement Presentation:*

Clarifies the difference between voluntary additional comparative information and the minimum required comparative information.

*TAS 16 Property, Plant and Equipment:*

Clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

*TAS 32 Financial Instruments Presentation:*

Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with TAS 12 Income Taxes. The amendment removes existing income tax requirements from TAS 32 and requires entities to apply the requirements in TAS 12 to any income tax arising from distributions to equity holders.

*TAS 34 Financial Reporting:*

Clarifies the requirements in TAS 34 relating to segment information for total assets and liabilities for each reportable segment. Total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity’s previous annual financial statements for that reportable segment.

**Standards issued but not yet effective and not early adopted**

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the interim financial statements are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting the interim financial statements and disclosures, after the new standards and interpretations become in effect.

**KOÇ FİNANSMAN A.Ş.**

**Notes to financial statements as of December 31, 2013 (continued)**  
**(Currency –Turkish Lira (TL) unless otherwise stated)**

**2. Basis of presentation of financial statements (continued)**

**TAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amended)**

The amendments clarify the meaning of “currently has a legally enforceable right to set-off” and also clarify the application of the TAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2014. The Company does not expect that this amendment will have significant impact on the financial position or performance of the Company.

**TFRS 9 Financial Instruments – Classification and measurement**

As amended in December 2011, the new standard is effective for annual periods beginning on or after January 1, 2015. Phase 1 of this new TFRS 9 Financial Instruments introduces new requirements for classifying and measuring financial instruments. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. The Company is evaluating the impacts of this amendment on the financial position or performance of the Company.

**TFRIC Interpretation 21 Levies**

The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognized before the specified minimum threshold is reached. The interpretation is effective for annual periods beginning on or after January 1, 2014, with early application permitted. Retrospective application of this interpretation is required. This amendment is not applicable to the Company and the Company will not have any impact on the financial position or performance of the Company.

**The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by POA**

The following standards, interpretations and amendments to existing TFRS standards are issued by the TASB but not yet effective up to the date of issuance of the interim financial statements. However, these standards, interpretations and amendments to existing TFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Company will make the necessary changes to its financial statements after the new standards and interpretations are issued and become effective under TFRS.

**IFRS 10 Consolidated Financial Statements (Amendment)**

IFRS 10 is amended to provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 Financial Instruments. This amendment will have any impact on the financial position or performance of the Company.

**KOÇ FİNANSMAN A.Ş.**

**Notes to financial statements as of December 31, 2013 (continued)**  
**(Currency –Turkish Lira (TL) unless otherwise stated)**

**2. Basis of presentation of financial statements (continued)**

**IAS 36 Impairment of Assets - Recoverable Amount Disclosures for Non-Financial assets (Amendment)**

The IASB, as a consequential amendment to IFRS 13 Fair Value Measurement, modified some of the disclosure requirements in IAS 36 Impairment of Assets regarding measurement of the recoverable amount of impaired assets. The amendments require additional disclosures about the measurement of impaired assets (or a group of assets) with a recoverable amount based on fair value less costs of disposal. The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2014. Earlier application is permitted for periods when the entity has already applied IFRS 13. The Company does not expect that this amendment will have significant impact on the financial position or performance of the Company.

**IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendment)**

In June 2013, the IASB issued amendments to IAS 39 Financial Instruments: Recognition and Measurement that provides a narrow exception to the requirement for the discontinuation of hedge accounting in circumstances when a hedging instrument is required to be novated to a central counterparty as a result of laws or regulations. The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2014. The Company is evaluating the impacts of this amendment.

**IFRS 9 Financial Instruments – Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39 -IFRS 9 (2013)**

In November 2013, the IASB issued a new version of IFRS 9, which includes the new hedge accounting requirements and some related amendments to IAS 39 and IFRS 7. Entities may make an accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 for all of their hedging relationships. The standard does not have a mandatory effective date, but it is available for application now; a new mandatory effective date will be set when the IASB completes the impairment phase of its project on the accounting for financial instruments. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

**Improvements to IFRSs**

In December 2013, the IASB issued two cycles of Annual Improvements to IFRSs – 2010–2012 Cycle and IFRSs – 2011–2013 Cycle. Other than the amendments that only affect the standards' Basis for Conclusions, the changes are effective 1 July 2014. Earlier application is permitted.

***Annual Improvements to IFRSs – 2010–2012 Cycle***

***IFRS 2 Share-based Payment:***

Definitions relating to vesting conditions have changed and performance condition and service condition are defined in order to clarify various issues. The amendment is effective prospectively.

***IFRS 3 Business Combinations***

Contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of IFRS 9 Financial Instruments. The amendment is effective for business combinations prospectively.

**KOÇ FİNANSMAN A.Ş.**

**Notes to financial statements as of December 31, 2013 (continued)**  
**(Currency –Turkish Lira (TL) unless otherwise stated)**

**2. Basis of presentation of financial statements (continued)**

*IFRS 8 Operating Segments*

The changes are as follows: i) Operating segments may be combined/aggregated if they are consistent with the core principle of the standard. ii) The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments are effective retrospectively.

*IFRS 13 Fair Value Measurement*

As clarified in the Basis for Conclusions short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective immediately.

*IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets*

The amendment to IAS 16.35(a) and IAS 38.80(a) clarifies that revaluation can be performed, as follows: i) Adjust the gross carrying amount of the asset to market value or ii) determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the resulting carrying amount equals the market value. The amendment is effective retrospectively.

*IAS 24 Related Party Disclosures*

The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. The amendment is effective retrospectively.

**Annual Improvements to IFRSs – 2011–2013 Cycle**

*IFRS 3 Business Combinations*

The amendment clarifies that: i) Joint arrangements are outside the scope of IFRS 3, not just joint ventures ii) The scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is effective prospectively.

*IFRS 13 Fair Value Measurement*

The portfolio exception in IFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective prospectively.

*IAS 40 Investment Property*

The amendment clarifies the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property. The amendment is effective prospectively.

These amendments are not expected to have an impact on the financial position or performance of the Company.

**Resolutions promulgated by the Public Oversight Authority**

In addition to those mentioned above, the POA has promulgated the following resolutions regarding the implementation of Turkish Accounting Standards. "Illustrative financial statement and user guide" became immediately effective at its date of issuance; however, the other resolutions shall become effective for the annual reporting periods beginning after December 31, 2012.

**KOÇ FİNANSMAN A.Ş.**

**Notes to financial statements as of December 31, 2013 (continued)**  
**(Currency –Turkish Lira (TL) unless otherwise stated)**

**2. Basis of presentation of financial statements (continued)**

***2013-1 Financial Statement Examples and User Guide***

The Public Oversight Authority promulgated “financial statement examples and user guide” on May 20, 2013 in order to ensure the uniformity of financial statements and facilitate their audit. The financial statement examples within this framework were published to serve as an example to financial statements to be prepared by companies obliged to apply Turkish Accounting Standards, excluding financial institutions established to engage in banking, insurance, individual retirement or capital market. This amendment did not have any impact on the financial statements of the Company.

***2013-2 Recognition of Mergers of Entities under Joint Control***

In accordance with the resolution it has been decided that i) combination of entities under common control should be recognized using the pooling of interest method, ii) and thus, goodwill should not be included in the financial statements and iii) while using the pooling of interest method, the financial statements should be prepared as if the combination has taken place as of the beginning of the reporting period in which the common control occurs and should be presented comparatively from the beginning of the reporting period in which the common control occurred. These resolutions did not have an impact on the financial statements of the Company.

***2013-3 Recognition of Dividend Right Certificates***

Clarification has been provided on the conditions and circumstances where the redeemed share certificates shall be recognized as a financial liability or equity based financial instruments. These resolutions did not have an impact on the financial statements of the Company.

***2013-4 Recognition of Cross shareholding Investment***

If a subsidiary of a parent entity holds shares of the parent, then this is defined as cross shareholding investment and accounting of this cross investment is assessed based on the type and different recognition principles adopted. With the subject resolution, this topic has been assessed under three main headings as explained below and the recognition principles have been determined for each of them.

- i) the subsidiary holding the equity based financial instruments of the parent,
- ii) the associates or joint ventures holding the equity based financial instruments of the parent,
- iii) the parent's equity based financial instruments are held by an entity, which is accounted as an investment within the scope of TAS 38 and TFRS 9 by the parent.

These resolutions did not have an impact on the financial statements of the Company.

**Preparation of financial statements and related disclosures and notes in accordance with the Turkish Accounting Standards and Regulation on the Procedures and Principles for Accounting Practices and Retention of Documents by Banks:**

In accordance with article 37 of the Banking Law 5411, banks are required to apply uniform accounting systems; recognize all transaction according to their real natures and prepare their financial reports in a form and content which meet the need to acquire information and in a comprehensible, reliable and comparable way favorable for auditing, analyzing and interpreting on a timely and accurate basis in accordance with the procedures and principles to be determined by the Banking Regulation and Supervision Agency based on the international standards; also conferring the Public Oversight, Accounting and Auditing Standards Authority and institutional unions.

## **KOÇ FİNANSMAN A.Ş.**

### **Notes to financial statements as of December 31, 2013 (continued) (Currency –Turkish Lira (TL) unless otherwise stated)**

#### **2. Basis of presentation of financial statements (continued)**

##### **2.3.1 Cash and cash equivalents**

The cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents consist of cash on hand, deposits at banks and highly liquid investments with original maturity periods of less than three months.

##### **2.3.2 Loans and advances to consumers and provision for loan impairment**

Loans and advances to consumers are carried at amortized cost less provision for impairment.

Impairment on loans and advances are incurred if there is objective evidence of impairment as a result of one or more events that occurred. The amount of the provision for the individually impaired loans is the difference between the carrying amount and recoverable amount, being the present value of expected cash flows, including the amount recoverable from guarantees and collateral, discounted based on the original effective interest rate of loans.

Specific and general allowances for loan impairment is established to provide for management's estimate of credit losses as soon as the recovery of an exposure is identified as doubtful considering the "Communiqué on Uniform Chart of Accounts, Disclosures and Form and Nature of Financial Statements to be issued by Leasing, Factoring and Consumer Finance Companies" which was issued by the BRSA in the Official Gazette dated December 24, 2013, numbered 28861 and "Communiqué amending about Communiqué on Uniform Chart of Accounts, Disclosures and Form and Nature of Financial Statements to be issued by Leasing, Factoring and Consumer Finance Companies" February 7, 2014, numbered 28906.

The movement in provision is charged against the income for the period. When a provisioned loan is subsequently collected, it is deducted from the related provision for impairment. General provision is accounted under 'Operating income-Other' and Provisions and Expense Accruals-liability. Loans are written off after all necessary legal proceedings have been completed.

##### **2.3.3 Related parties**

- a) A person or that person's immediate family member is related to the Company in the following conditions:

The person in question,

- (i) Control or joint control over the company
- (ii) Has significant influence over the company
- (iii) The Company's or a parent of a member of the key management personnel.

- b) If it is exist any of the following conditions Firm is related with The Company:

- (i) Firm and The Company are group companies.
- (ii) Event of the Firm is subsidiary or partner of other firm (or a group member of other firm.)
- (iii) Both firms have same third party business affiliate.
- (iv) The Firm of one of the joint venture of a third entity and the other entity is a subsidiary of this third party.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) If the company is managed by a person mention about (a)
- (vii) If a person in (a)-(i) has big influence on firm or this person is in key management personnel.

**KOÇ FİNANSMAN A.Ş.**

**Notes to financial statements as of December 31, 2013 (continued)**  
**(Currency –Turkish Lira (TL) unless otherwise stated)**

**2. Basis of presentation of financial statements (continued)**

For the purpose of these financial statements, shareholders, subsidiaries of Koç Group with direct/indirect capital relation, key management personnel and board members, in each case together with their families and companies controlled by or affiliated with them are considered and referred to as “related parties”

**2.3.4 Derivative financial instruments and hedge accounting**

The Company has entered into swap and forward transactions in order to minimize its foreign currency risk and interest rate risk and manage its liquidity in foreign currency. Swap and forward transactions are initially recognized at fair value on the date which a derivative contract is entered into and subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Swap and forward transactions that are designated as hedging instruments for cash flow hedges are accounted for in accordance with hedge accounting policies.

The Company funds its long term fixed interest rate TL loan portfolio with long term foreign currency funds obtained from international markets. The Company changes the foreign currency liquidity obtained from the international markets to TL liquidity with long term swap transactions. Therefore these long term fixed interest rate loan portfolio become effectively funded by TL and mitigated from interest and foreign exchange rate risks.

The Company documents formally, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This documentation includes the identification of description of hedging instruments, hedged item, the nature of the risk being hedged and how the Company will assess the hedging instrument’s effectiveness in offsetting the exposure to changes in the hedged item’s cash flows attributable to the hedged risk. The installment and principal repayment terms of the hedging instruments are in line with the installment and principal repayments of hedged items.

The hedge effectiveness is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated.

The Company values these swap and forward transactions designated as cash flow hedging instrument by using the recent market rates or discounted cash flow methods based on market rates of similar instruments and the gain or loss on the effective portion of the hedging instrument is recognized directly in “Hedging Revaluation Reserves” in equity, while any ineffective portion is recognized immediately in profit or loss. Amounts taken to equity are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized. The foreign currency gain and losses arising from the foreign currency and floating interest rate borrowings which are subject to hedge transactions are accounted under the foreign exchange gain/loss account and the valuation gain and loss arising from the derivatives that are subject to hedge transaction are accounted under the profit/loss on derivative financial instruments account. The aforementioned amounts classified under those accounts represent the financial expense of the Company.

**KOÇ FİNANSMAN A.Ş.**

**Notes to financial statements as of December 31, 2013 (continued)**  
**(Currency –Turkish Lira (TL) unless otherwise stated)**

**2. Basis of presentation of financial statements (continued)**

**2.3.5 Leasing – as lessee**

**Finance leases**

Assets acquired under finance lease agreements are capitalized at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payment. Leased assets are included in the tangible assets. Liabilities arising from the leasing transactions are included in “Finance Lease Payables” on the face of the balance sheet.

Finance lease liabilities are initially recorded at the financial statements with the purchase cost of the related asset. The interest component of the finance cost is charged to the income statement over the lease period.

**Operating leases**

Operating leases are recorded the income statement in as expense when they occur. Operating lease payments are recognized as an expense on a straight line basis over the lease term.

**2.3.6 Tangible assets**

Tangible assets are carried at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis and accelerated basis over the estimated useful lives of tangible assets.

**Useful Life:**

Office equipment	3-10 years
Furniture and fixture	5 years
Motor vehicles	5 years
Other	2-15 years

Gains and losses on disposals of tangible assets are recognised under other operating income and expense, in the statement of income.

**2.3.7 Intangible assets**

Intangible assets mainly comprise of rights and are carried at cost less accumulated amortization. Amortization is calculated on a straight-line basis over the estimated useful lives of intangible assets.

**Useful Life:**

Rights 3-5 years

In the case of impairment, the carrying amount of the intangible asset is reduced to its recoverable value.

**2.3.8 Borrowing costs**

If an asset needs to be classified as construction-in-progress for a significant time, in order to be available for sale or available to use, borrowing costs related to the purchase and additional construction expenses are capitalized within the cost of asset. If there is an investment income related to the unconsumed part of the loans, it will be deducted from the capitalized interest expense.

All other finance expenses will be expensed during the period incurred.

**KOÇ FİNANSMAN A.Ş.**

**Notes to financial statements as of December 31, 2013 (continued)**  
**(Currency –Turkish Lira (TL) unless otherwise stated)**

**2. Basis of presentation of financial statements (continued)**

**2.3.9 Securities issued and Borrowings**

Securities issued by the Company are classified as Financial Liabilities and accounted with the amortized cost using the effective interest rate method.

**2.3.10 Deferred tax**

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

Deferred tax liabilities are recognised for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized.

**2.3.11 Revenue and expense recognition**

**a) Interest income and expenses**

Interest income and expense for all interest-bearing financial instruments are recognized in the statement of income on an accrual basis for all instruments measured at amortized cost using the effective interest method. Interest income is written off by the management's decision regarding the uncollectible loans and advances given to customers; the accruals booked till the decision day are cancelled and not recognized as income until the collection is performed. Interest income is presented under "interest on loans" interest expense is presented in "interest expense" lines.

**b) Subvention income**

The Company receives subvention from the companies in order to partially compensate the loss incurred by applying relatively lower interest rates on loans granted during the campaigns of those companies. Such subventions received are an integral part of generating involvement with the loans and advances to consumers and therefore, they are deferred and recognized as an adjustment of the effective interest rate of loans.

**c) Income from loan inquiries and other income**

Income from loan inquiries consists of the fees charged to the consumers for the loans at inception and recognized as income when all the recognition criteria are met.

**2.3.12 Provisions**

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made.

**KOÇ FİNANSMAN A.Ş.**

**Notes to financial statements as of December 31, 2013 (continued)**  
**(Currency –Turkish Lira (TL) unless otherwise stated)**

**2. Basis of presentation of financial statements (continued)**

**2.3.13 Provision for employee benefits**

The company recognizes retirement pay liability and vocation pay liability for “Turkish Accounting Standard about Employee Benefit” (TMS 19) and in balance sheet classified under “Provisions for employee benefits” account.

Provision for employment termination benefits represent the present value of the estimated total reserve of the future probable obligation of the Company arising in case of the retirement, termination of employment without due cause, call up for military service or death of the employees upon the completion of minimum one year service calculated in accordance with the Turkish Labor Law.

The Company has to pay contribution to Social Security Institution (Institution) for its employees at the contribution rates specified by the law. The Company does not have other liabilities to its employees or to the Institution other than the contribution for its employees. Those contributions are expensed on the date of accrual.

**2.3.14 Foreign currency transactions**

Transactions in foreign currencies during the period have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into Turkish lira at the exchange rates of Central Bank of Republic of Turkey prevailing at the balance sheet dates. Foreign exchange gains or losses arising from the settlement of such transactions and from the translation of monetary assets and liabilities are recognised in the statement of income.

**2.3.15 Contingent assets and liabilities**

Contingent assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events, not wholly within the control of the Company, are not included in the financial statements and are treated as contingent assets or liabilities.

**2.3.16 Assets held for sale**

Non-current assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

**2.3.17 Subsequent events**

Post-period-end events that provide additional information about the Company's position as of the balance sheet date (adjusting events), are reflected in the financial statements. Post-period-end events that are not adjusting events are disclosed in the notes when material.

**2.3.18 Additional paragraph for convenience translation to English:**

The effects of differences between the accounting principles and standards set out by regulations, communiques, interpretations and circulars published by the BRSA, and accounting principles generally accepted in the countries in which the accompanying financial statements are to be distributed and IFRS have not been quantified in the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

**KOÇ FİNANSMAN A.Ş.**

**Notes to financial statements as of December 31, 2013 (continued)**  
**(Currency –Turkish Lira (TL) unless otherwise stated)**

**2. Basis of presentation of financial statements (continued)**

**2.4 Significant accounting judgments, estimates and assumptions**

The preparation of financial statements requires the Company management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. These estimates are reviewed periodically and as adjustments become necessary, they are reported in earnings in the periods in which they become known.

Significant judgments and estimates used in the preparation of financial statements as of December 31, 2013 is presented below:

- The Company's provision policy, through management assessment and estimations case of uncollectability or doubtful of any of the loans and receivables or for uncollectible loans and other receivables "Communiqué on Uniform Chart of Accounts, Disclosures and Form and Nature of Financial Statements to be issued by Leasing, Factoring and Consumer Finance Companies" which was issued by the BRSA in the Official Gazette dated December 24, 2013, numbered 28861 and "Communiqué amending about Communiqué on Uniform Chart of Accounts, Disclosures and Form and Nature of Financial Statements to be issued by Leasing, Factoring and Consumer Finance Companies" February 7, 2014, numbered 28906. The company takes notice of these regulations and opinion make specific and general provision. The general provisions in the period are deducted from revenue and recognize credit Operating Expenses / Other in profit & loss and in liabilities part we recognize debit in Provision for debts Expenses / Other. When a provisioned receivable is collected, it is deduct from Impairment provision for loans and other receivables. Avoid differences between estimated and actual losses, method used in provision calculation and estimations are revised regularly.

The management reserves provision for the doubtful receivables based on their evaluations of the consumer loans portfolio. Provision amount is determined per the Company's credit risk policy, existing credit portfolio structure, financial structure of customers and economic conjuncture, and by taking fair values of the guarantees into account if applicable. Impairment and uncollectibility risks are calculated separately for each individual loan and also for all loans including the individual loans for which no specific impairment is observed on a collective basis. As of December 31, 2013 the Company accounted for portfolio reserve amounting to TL 18.954.977 (TL 7.738.851 December 31, 2012) and specific reserve amounting to TL 25.570.229 as of December 31, 2013 (December 31, 2012-TL 15.028.088).

**2.5 Changes in accounting estimates and errors**

The effect of changes in accounting estimates affecting the current period is recognized in the current period; the effect of changes in accounting estimates affecting current and future periods is recognized in the current and future periods. The accounting estimates have not changed for the January 1 – December 31, 2013 period. Significant changes in accounting policies or material errors are corrected, retrospectively; by restating the prior period financial statements.

As disclosed in Note II-9, the Company has provided general loan loss calculation for its consumer and commercial loans.

**KOÇ FİNANSMAN A.Ş.**

**Notes to financial statements as of December 31, 2013 (continued)**  
**(Currency –Turkish Lira (TL) unless otherwise stated)**

**2. Basis of presentation of financial statements (continued)**

The Company uses a model that contains a variety of parameters for commercial and consumer loans except for mortgage loans that were opened before December 24, 2013. Judgments and estimates used in the model were revised from the beginning of January 1, 2013. based on the Company's past performance and current market conditions. Additional general provision was calculated amounting to TL 8.343.228 compared to the calculation before the revision..

For consumer finance loans which opened after December 24, 2013 general provision is calculated in accordance with the "Communiqué on Uniform Chart of Accounts, Disclosures and Form and Nature of Financial Statements to be issued by Leasing, Factoring and Consumer Finance Companies" which was issued by the BRSA and published in the Official Gazette dated December 24, 2013, numbered 28861 and "Communiqué amending about Communiqué on Uniform Chart of Accounts, Disclosures and Form and Nature of Financial Statements to be issued by Leasing, Factoring and Consumer Finance Companies" February 7, 2014, numbered 28906.

**KOÇ FİNANSMAN A.Ş.**

**Notes to financial statements as of December 31, 2013 (continued)**  
**(Currency –Turkish Lira (TL) unless otherwise stated)**

**Section four**

**Explanations and notes on the financial statements**

**I. Explanations and notes related to assets:**

**1. Cash and cash equivalents**

	<b>December 31, 2013</b>	<b>December 31, 2012</b>
Cash and cash equivalents	-	-
Central Bank of Turkish Republic (CBTR)	4.854.833	-
-TL	4.400.997	-
-Euro	453.836	-
<b>Total Cash Amount</b>	<b>4.854.833</b>	<b>-</b>

Finance companies have been subject to the “2005/1 - Communiqué on Reserve Requirement” published in the Official Gazette dated October 4, 2013, numbered 2781. Required reserve liabilities of finance companies are foreign borrowings issued securities and subordinated debts which are not recognized under equity. As of December 31, 2013, reserve ratios vary between 5% to 11, 5% depending on the terms of their liabilities in Turkish Lira and in a range of 6% to 13% for foreign currency liabilities.

**2. Financial assets at fair value through profit and loss (net)**

As of December 31, 2013, the Company does not have assets carried at fair value through profit / loss. (December 31, 2012- none).

**3. Banks**

	<b>December 31, 2013</b>	<b>December 31, 2012</b>
Domestic banks		
- Demand deposit	5.147.200	8.221.427
- Time deposit	5.222.441	39.371.809
Foreign banks		
- Demand deposit	239	52
- Time deposit	-	-
	<b>10.369.880</b>	<b>47.593.288</b>
Time deposit interest accruals	-	126.721
<b>Total banks</b>	<b>10.369.880</b>	<b>47.720.009</b>

**KOÇ FİNANSMAN A.Ş.**

**Notes to financial statements as of December 31, 2013 (continued)**  
**(Currency –Turkish Lira (TL) unless otherwise stated)**

**3. Banks (continued)**

The details of TL equivalent of foreign currency time deposits as of December 31, 2013 and 2012 are as follows:

	<b>December 31, 2013</b>		<b>December 31, 2012</b>	
	<b>USD</b>	<b>Euro</b>	<b>USD</b>	<b>Euro</b>
Domestic banks				
- Demand deposit	141.143	29.456	63.574	35.296
- Time deposit	1.470.842	3.751.598	-	39.371.809
Foreign banks				
- Demand deposit	-	153	-	-
- Time deposit	-	-	-	-
	1.611.985	3.781.207	63.574	39.407.105
Time deposit interest accrual	-	-	-	126.721
<b>Total</b>	<b>1.611.985</b>	<b>3.781.207</b>	<b>63.574</b>	<b>39.533.826</b>

As of December 31, 2013 the remaining period to the original maturity of time deposits are less than 3 month and their effective interest rate is 0,50% for Euro.

As of December 31, 2012 the remaining period to the original maturity of time deposits are less than 3 month and their effective interest rate is 2,90% for Euro

For the years ended December 31, 2013 and 2012, the cash and cash equivalents for cash flow purposes is as follows:

	<b>December 31, 2013</b>	<b>December 31, 2012</b>
Banks	10.369.880	47.720.009
Less: time deposit interest accruals	-	(126.721)
<b>Cash and cash equivalents for cash flow purposes</b>	<b>10.369.880</b>	<b>47.593.288</b>

**4. Receivables from reverse repo transactions**

As of December 31, 2013 there are no receivables from reverse repo transactions (December 31, 2012: None).

**5. Available for sale financial assets (net)**

As of December 31, 2013 there are no available for sale financial assets (December 31, 2012: None)

**KOÇ FİNANSMAN A.Ş.**

**Notes to financial statements as of December 31, 2013 (continued)**  
**(Currency –Turkish Lira (TL) unless otherwise stated)**

**6. Financing loans**

	<b>December 31, 2013</b>	<b>December 31, 2012</b>
TL denominated loans	1.678.241.128	1.484.564.602
Foreign currency indexed loans	38.485.476	27.647.712
	<b>1.716.726.604</b>	<b>1.512.212.314</b>
Accrued interest on TL denominated loans	14.005.468	8.106.796
Accrued interest on foreign currency indexed loans	99.268	102.614
<b>Total of financial loan</b>	<b>1.730.831.340</b>	<b>1.520.421.724</b>

As of December 31, 2013, the average interest rates of loans varied between 0% (\*) and 1,65% for TL denominated loans, 0% and 0,64% for Euro denominated loans and 0,40% and 0,55% for USD denominated loans. (December 31, 2012: for TL 0% and 1,85%, for Euro 0,42% and 0,80% and for USD 0,56% and 0,59%).

(\*) Represents loans with subvention.

As of December 31, 2013 and 2012, maturities of loans are shown below;

	<b>December 31, 2013</b>	<b>December 31, 2012</b>
Up to 1 year	334.556.010	512.754.521
1-2 years	487.403.785	435.626.549
2-3 years	531.899.959	430.988.862
3 and more years	376.971.586	141.051.792
<b>Total of financial loan</b>	<b>1.730.831.340</b>	<b>1.520.421.724</b>

As of December 31, 2013 and 2012, the carrying amount of collaterals received for the loans given are shown below:

	<b>December 31, 2013</b>	<b>December 31, 2012</b>
Guarantee cheques and notes	113.212.408	174.875
Mortgages received	56.285.623	46.078.562
Personal guarantees	2.364.000	2.364.000
Letters of guarantee	2.262.009	1.877.100
Cash collateral (II-4)	833.735	833.735
<b>Total</b>	<b>174.957.775</b>	<b>51.328.272</b>

As of December 31, 2013, the Company has pledged for automotive loans amounting to TL 1.739.651.629 (December 31, 2012: TL 1.527.575.208)

As of December 31, 2013, the fair value of the loan portfolio is calculated as TL 1.714.323.396 (December 31, 2012: TL 1.499.348.550) for automotive loans, TL 7.457.266 (December 31, 2012: TL 14.010.366) for durable consumption goods loans and TL 9.630.345 (December 31, 2012: TL 5.365.020) for mortgage loans.

**KOÇ FİNANSMAN A.Ş.**

**Notes to financial statements as of December 31, 2013 (continued)**  
**(Currency –Turkish Lira (TL) unless otherwise stated)**

**7. Other Receivables**

	<b>December 31, 2013</b>	<b>December 31, 2012</b>
Followed by procurement receivables	1.503.781	1.646.574
Other receivables from related parties (V-1.2)	553.017	27.576
Settlement of distributor	119.729	228.415
Other	1.166.639	158.827
<b>Other Receivables</b>	<b>3.343.166</b>	<b>2.061.392</b>

**8. Non-performing loans**

<b>Receivables under follow-up:</b>	<b>December 31, 2013</b>	<b>December 31, 2012</b>
Loans under follow-up	51.777.563	42.148.232
Less: specific provisions	(25.570.229)	(15.028.088)
<b>Total non performing loans</b>	<b>26.207.334</b>	<b>27.120.144</b>

Aging table of non-performing loans is as follow:

	<b>December 31, 2013</b>	<b>December 31, 2012</b>
1 to 3 months	111.608	68.266
3 to12 months	20.007.770	28.759.524
1 year and more	31.658.185	13.320.442
<b>Non-performing loans</b>	<b>51.777.563</b>	<b>42.148.232</b>

Movements in the specific provisions for loan losses which are under follow up for the years ended December 31, 2013 and 2012 are as follows:

	<b>December 31, 2013</b>	<b>December 31, 2012</b>
<b>January 1</b>	<b>15.028.088</b>	<b>27.198.546</b>
Charge during the year	13.048.473	8.369.873
Recoveries	(2.425.508)	(1.282.204)
Loans sold to asset management company (*)	-	(17.209.877)
Written off	(80.824)	(2.048.250)
<b>December 31</b>	<b>25.570.229</b>	<b>15.028.088</b>

- (\*) As of November 6, 2012, amounting to TL 17.209.000 non performing loan portfolio of the Company has been sold to an Asset Management Company through the transfer of all the risks and rights. Profit accounting to TL 2.000.000 has been recognized in "operating income". As of December 31, 2013 there isn't any loan sold to asset management company.

**KOÇ FİNANSMAN A.Ş.**

**Notes to financial statements as of December 31, 2013 (continued)**  
**(Currency –Turkish Lira (TL) unless otherwise stated)**

**9. Derivative financial assets for hedging purposes**

**Cash flow hedge**

The Company funds its long term fixed interest rate TL consumer financing loan portfolio with long term variable interest bearing foreign currency funds obtained from international markets. The Company changes the foreign currency liquidity obtained from the international markets to TL liquidity with long term swap transactions. Therefore these long term fixed interest rate consumer financing loans become effectively funded by TL and mitigated from interest and foreign exchange rate risks.

The Company hedged its cash flow risk arising from interest rate and foreign exchange rate volatility of the loans amounting to USD 22.000.000 (December 31, 2012: USD 39.000.000) and EUR 21.000.000 (December 31, 2012: EUR 36.000.000) by cross currency interest rate swaps and forward contracts for each interest payment and capital payments at the end of the maturity.

The critical terms of the swap contracts such as the pricing, installments and principal repayment dates are the same with the terms of the hedged items which are the foreign currency borrowings. The fair value of the related swap and forward transactions amounts to TL 15.698.688 asset (December 31, 2012: TL 1.116.235) and TL 3.712.551 liability and is accounted under the financial statements as “Derivative financial assets for hedging purposes – Cash Flow Hedge” and “Derivative financial liabilities for hedging purposes – Cash Flow Hedge” respectively.

The unrealized profit accounted by the Company under equity within the period regarding to swaps designated as cash flow hedging instruments is TL 2.639.903 (December 31, 2012: TL 4.169.531 gain), net amount after deduction of deferred tax is TL 2.111.922 (December 31, 2012: TL 3.335.625 gain). As at December 31, 2013 and December 31, 2012, the company's derivative financial instruments are classified as the second level in the fair value hierarchy table.

**10. Held to maturity investments (net)**

As of December 31, 2013, there are no investments held to maturity (December 31, 2012 - None).

**11. Subsidiaries (net)**

As of December 31, 2013, there are no subsidiaries (December 31, 2012 - None).

**12. Associates (net)**

	31 Aralık 2013		31 Aralık 2012	
	Shareholding (%)	Amount	Shareholding (%)	Amount
<b>Associates:</b>				
Koç Kültür Sanat ve Tanıtım Hizmetleri A.Ş.	4,9	12.502	4,9	12.502

Koç Kültür Sanat ve Tanıtım Hizmetleri A.Ş. is carried at its cost value at these financial statements.

**13. Joint ventures (net)**

As of December 31, 2013, there are no joint ventures (December 31, 2012: None).

**KOÇ FİNANSMAN A.Ş.**

**Notes to financial statements as of December 31, 2013 (continued)**  
**(Currency –Turkish Lira (TL) unless otherwise stated)**

**14. Tangible assets**

The movement of tangible assets as of December 31, 2013 is as follows:

	<b>January 1, 2013</b>	<b>Additions</b>	<b>Disposals</b>	<b>December 31, 2013</b>
<b>Cost:</b>				
Office equipments	13.579.388	225.529	(2.211.655)	11.593.262
Furniture and fixture	1.231.611	-	-	1.231.611
Motor vehicles	320.809	154.716	(106.204)	369.321
Other	1.081.504	818	(549.232)	533.090
	<b>16.213.312</b>	<b>381.063</b>	<b>(2.867.091)</b>	<b>13.727.284</b>
<b>Accumulated depreciation:</b>				
Office equipments	12.711.651	477.652	(2.209.589)	10.979.714
Furniture and fixture	1.225.857	1.273	-	1.227.130
Motor vehicles	189.008	102.179	(73.439)	217.748
Other	1.061.772	3.966	(549.232)	516.506
	<b>15.188.288</b>	<b>585.070</b>	<b>(2.832.260)</b>	<b>12.941.098</b>
<b>Net book value</b>	<b>1.025.024</b>			<b>786.186</b>

The movement of tangible assets as of December 31, 2012 is as follows:

	<b>January 1, 2013</b>	<b>Additions</b>	<b>Disposals</b>	<b>December 31, 2013</b>
<b>Cost:</b>				
Office equipments	14.174.244	982.692	(1.577.548)	13.579.388
Furniture and fixture	1.231.611	-	-	1.231.611
Motor vehicles	320.810	-	-	320.810
Other	1.080.291	1.212	-	1.081.503
	<b>16.806.956</b>	<b>983.904</b>	<b>(1.577.548)</b>	<b>16.213.312</b>
<b>Accumulated depreciation:</b>				
Office equipments	13.586.272	701.211	(1.575.832)	12.711.651
Furniture and fixture	1.223.865	1.991	-	1.225.856
Motor vehicles	101.141	87.868	-	189.009
Other	1.056.930	4.842	-	1.061.772
	<b>15.968.208</b>	<b>795.912</b>	<b>(1.575.832)</b>	<b>15.188.288</b>
<b>Net book value</b>	<b>838.748</b>			<b>1.025.024</b>

All depreciation charges are included in other item under operating expenses for the years ended December 31, 2013 and 2012 (Note IV-2).

As of December 31, 2013 and 2012, the tangible assets leased under finance leases and their respective accumulated depreciation are as follows:

	<b>December 31, 2013</b>	<b>December 31, 2012</b>
Cost-capitalised finance leases	5.060.974	6.107.180
Accumulated depreciation	(5.060.974)	(6.107.180)

**KOÇ FİNANSMAN A.Ş.****Notes to financial statements as of December 31, 2013 (continued)**  
**(Currency –Turkish Lira (TL) unless otherwise stated)****15. Intangibles assets**

The movement of intangible assets and related accumulated amortization as of December 31, 2013 and 2012 are as follows:

	January 1, 2013	Additions	Disposals	December 31, 2013
<b>Cost:</b>				
Rights	9.040.627	461.344	-	9.501.971
	<b>9.040.627</b>	<b>461.344</b>	-	<b>9.501.971</b>
<b>Accumulated amortization:</b>				
Rights	8.792.713	259.626	-	9.052.338
	<b>8.792.713</b>	<b>259.626</b>	-	<b>9.052.338</b>
<b>Net book value</b>	<b>247.914</b>			<b>449.633</b>
	January 1, 2013	Additions	Disposals	December 31, 2013
<b>Cost:</b>				
Rights	8.975.328	65.526	(227)	9.040.627
	<b>8.975.328</b>	<b>65.526</b>	<b>(227)</b>	<b>9.040.627</b>
<b>Accumulated amortization:</b>				
Rights	8.539.880	252.890	(57)	8.792.713
	<b>8.539.880</b>	<b>252.890</b>	<b>(57)</b>	<b>8.792.713</b>
<b>Net book value</b>	<b>435.448</b>			<b>247.914</b>

All amortization expenses are included in other item under operating expenses for the years ended December 31, 2013 and 2012 (Note IV-2).

**16. Pre-paid expenses**

	December 31, 2013	December 31, 2012
Transaction costs related to issuance of debt	734.767	-
Other	306.922	355.062
	<b>1.041.689</b>	<b>355.062</b>

**17. Tax assets / liabilities****Corporate taxation**

	December 31, 2013	December 31, 2012
Corporate taxes payable (II-9)	8.082.859	12.025.075
Less: prepaid taxes (I-17)	(7.178.852)	(10.736.154)
<b>Taxes payable / (Prepaid corporate taxes), net</b>	<b>904.007</b>	<b>1.288.921</b>

Corporate Tax Law has been altered by Law No: 5520 on June 13, 2006. Although the new Corporate Tax Law No: 5520, has become effective on June 21, 2006, many of its articles have become effective retrospectively starting from January 1, 2006. Accordingly, the corporation tax rate of the fiscal year 2013 is 20% (2012: 20%).

**KOÇ FİNANSMAN A.Ş.**

**Notes to financial statements as of December 31, 2013 (continued)**  
**(Currency –Turkish Lira (TL) unless otherwise stated)**

**17. Tax assets (continued)**

Corporation tax is payable on the total income of the Company after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption, investment allowance, etc) and corporate income tax deductions (like research and development expenditures deduction). No further tax is payable unless the profit is distributed (except withholding tax at the rate of 19,8% on the investment incentive allowance utilized within the scope of the Income Tax Law Transitional Article 61).

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital is not considered as a profit distribution.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income. Advance tax declaration is made by the 14th day of the following month and payable by the 17th day of the second month following each calendar quarter end by companies. Advance tax paid by corporations is credited against the annual corporation tax liability. Advance tax paid by corporations is credited against the annual corporation tax liability. If, despite offsetting, there remains a paid advance tax amount, it may be refunded or offset against other liabilities to the government.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 25th of the fourth month following the close of the financial year to which they relate.

Tax returns are open for 5 years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to 5 years. Tax losses cannot be carried back to offset profits from previous periods.

There are numerous exemptions in Corporate Tax Law concerning corporations. Those related to the Company are as follows:

Dividend income from participation in shares of capital of another full fledged taxpayer corporation (except for dividends from investment funds participation certificates and investment partnerships shares) are exempt from corporate tax.

A 75% portion of the gains derived from the sale of preferential rights, usufruct shares and founding shares from investment equity and real property which has remained in assets for more than two full years are exempt from corporate tax. To be entitled to the exemption, the relevant gain is required to be held in a fund account in shareholders' equity and must not be withdrawn for a period of 5 years. The sales proceeds should be collected within 2 years after the date of sale.

In addition to exemptions explained above, tax deductions specified in Corporation Tax Law articles 8, 9, 10, and Income Tax Law article 40, are also considered in the assessment of the corporation tax base.

Taxation on income for the nine month periods ended December 31, 2013 and 2012 are as follows:

	<b>December 31, 2013</b>	<b>December 31, 2012</b>
Current taxation on expense	(8.082.859)	(12.025.075)
Deferred tax income / (expense)	(2.420.248)	3.178.886
<b>Total tax expense</b>	<b>(10.503.107)</b>	<b>(8.846.189)</b>

**KOÇ FİNANSMAN A.Ş.**

**Notes to financial statements as of December 31, 2013 (continued)**  
**(Currency –Turkish Lira (TL) unless otherwise stated)**

**17. Tax assets (continued)**

The reconciliation between the expected and the actual taxation charge are as follows:

	<b>December 31, 2013</b>	<b>December 31, 2012</b>
Profit before taxes	41.234.990	44.285.932
Tax charge at the enacted tax rate (20%)	(8.246.998)	(8.857.186)
Non-deductible income / expenses, net	(2.256.109)	10.997
<b>Total tax expense</b>	<b>(10.503.107)</b>	<b>(8.846.189)</b>

**18. Deferred tax assets**

**Deferred taxation**

The breakdown of temporary differences and the resulting deferred tax assets and liabilities as of December 31, 2013 and 2012, using the effective tax rates were as follows:

	<b>Cumulative temporary differences</b>		<b>Deferred tax Assets / (liabilities)</b>	
	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>December 31, 2013</b>	<b>December 31, 2012</b>
<b>Deferred tax assets:</b>				
Provision for loan impairment	7.293.560	3.402.218	1.458.712	680.444
Provision for employment termination benefits	1.522.167	1.382.613	304.433	276.523
Provision for dealer incentives	501.601	519.278	100.320	103.856
Accrued interest income accrual difference for loans	263.890	81.662	52.778	16.332
Provision for unused vacation	162.199	128.304	32.440	25.661
Fair value gains/losses of derivative financial instruments	-	2.596.316	-	519.263
Other	-	3.235	-	647
			<b>1.948.683</b>	<b>1.622.724</b>
<b>Deferred tax liabilities:</b>				
Fair value gains/losses of derivative financial instruments	(15.698.688)	-	(3.139.738)	-
Deferred financial expenses (net)	(1.399.471)	(1.553.152)	(279.894)	(310.630)
Differences between tax base and the carrying value of tangible and intangible assets	(316.961)	(234.777)	(63.392)	(46.955)
Other	(706.075)	-	(141.216)	-
			<b>(3.624.240)</b>	<b>(357.385)</b>
<b>Deferred tax asset / (liability), net</b>			<b>(1.675.557)</b>	<b>1.265.139</b>

Deferred tax liabilities are recognized for all taxable temporary differences whereas deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available.

**KOÇ FİNANSMAN A.Ş.**

**Notes to financial statements as of December 31, 2013 (continued)**  
**(Currency –Turkish Lira (TL) unless otherwise stated)**

**18. Deferred Tax assets (continued)**

Movement of deferred tax is as follows:

	<b>December 31, 2013</b>	<b>December 31, 2012</b>
January 1	1.265.139	(2.747.653)
Current year deferred tax income / (expense)	(2.420.248)	3.178.886
Deferred tax income / ( loss) in other comprehensive income	(520.448)	833.906
<b>December 31</b>	<b>(1.675.557)</b>	<b>1.265.139</b>

**19. Other assets**

	<b>December 31, 2013</b>	<b>December 31, 2012</b>
Other receivables from related parties	3.353	-
Other	93.402	154.417
<b>Total other short-term receivables</b>	<b>96.755</b>	<b>154.417</b>

**20. Assets held for sale and discontinued operations assets (net)**

**Assets held for sale**

	<b>December 31, 2013</b>	<b>December 31, 2012</b>
Assets held for sale	670.799	1.328.887
	<b>670.799</b>	<b>1.328.887</b>

The Company has acquired vehicles and real estates subject to loans from enforcement office and sells them through arranged distributors to third parties in order to increase the collection from legal follow-up loans. Assets held for sale balance consists of vehicles and real estates acquired from enforcement office and have not been sold to third parties yet as of December 31, 2013.

Movement table of held for sale assets

	<b>December 31, 2013</b>	<b>December 31, 2012</b>
January 1	1.328.887	1.204.394
Current period addition	(5.415.724)	(4.161.326)
Current period disposal	4.757.636	4.285.819
<b>December 31</b>	<b>670.799</b>	<b>1.328.887</b>

**KOÇ FİNANSMAN A.Ş.****Notes to financial statements as of December 31, 2013 (continued)**  
**(Currency –Turkish Lira (TL) unless otherwise stated)****II. Explanation and notes related to liabilities****1. Funds borrowed**

	<b>December 31, 2013</b>	<b>December 31, 2012</b>
<b>Short term bank borrowings:</b>		
Short-term bank borrowings	128.159.587	243.315.375
Short-term portion of long term borrowings	420.111.883	359.858.230
Accrued interest payable	30.349.188	30.215.929
<b>Total short-term bank borrowings</b>	<b>578.620.658</b>	<b>633.389.534</b>
<b>Long-term bank borrowings:</b>		
Long-term bank borrowings	391.287.200	109.789.300
<b>Total bank borrowings</b>	<b>969.907.858</b>	<b>743.178.834</b>

The currency details of bank borrowings as of December 31, 2013 and 2012 are as follows:

		<b>December 31, 2013</b>		<b>December 31, 2012</b>	
	<b>Original Currency</b>	<b>Original Amount</b>	<b>TL Equivalent</b>	<b>Original Amount</b>	<b>TL Equivalent</b>
- Borrowings from domestic banks	TL	600.239.587	600.239.587	367.366.000	367.366.000
	USD	14.000.000	29.880.200	20.000.000	35.652.000
	EUR	7.200.000	21.142.800	7.000.000	16.461.900
- Borrowings from foreign banks	TL	20.000.000	20.000.000	121.500.000	121.500.000
	USD	12.000.000	25.611.600	14.810.000	26.400.306
	EUR	25.205.000	74.014.483	56.900.000	133.811.730
- Borrowings from related party	TL	168.670.000	168.670.000	2.857.969	2.857.969
	USD	-	-	5.000.000	8.913.000
	EUR	-	-	-	-
			<b>939.558.670</b>		<b>712.962.905</b>
Accrued interest payable	TL		25.877.197		27.023.239
	USD		2.782.360		1.152.609
	EUR		1.689.631		2.040.080
<b>Total Bank Borrowings</b>			<b>969.907.858</b>		<b>743.178.834</b>

**KOÇ FİNANSMAN A.Ş.****Notes to financial statements as of December 31, 2013 (continued)**  
**(Currency –Turkish Lira (TL) unless otherwise stated)****1. Funds borrowed (continued)**

The repayment schedule of borrowings according to their remaining contractual maturity dates as of December 31, 2013 and 2012 are as follows:

<b>December 31, 2013</b>					
	<b>Up to 1 month</b>	<b>1-6 months</b>	<b>6–12 months</b>	<b>Over 1 year</b>	<b>Total</b>
Borrowings from related parties	670.000	46.000.000	72.000.000	50.000.000	168.670.000
Borrowings from domestic banks	74.034.087	35.000.000	200.941.300	341.287.200	651.262.587
Borrowings from foreign banks	31.343.000	68.871.600	19.411.483	-	119.626.083
	<b>106.047.087</b>	<b>149.871.600</b>	<b>292.352.783</b>	<b>391.287.200</b>	<b>939.558.670</b>

  

<b>December 31, 2012</b>					
	<b>Up to 1 month</b>	<b>1-6 months</b>	<b>6–12 months</b>	<b>Over 1 year</b>	<b>Total</b>
Borrowings from related parties	2.857.969	8.913.000	-	-	<b>11.770.969</b>
Borrowings from domestic banks	111.069.400	20.000.000	230.584.500	57.826.000	<b>419.479.900</b>
Borrowings from foreign banks	37.895.256	127.364.480	88.006.000	28.446.300	<b>281.712.036</b>
	<b>151.822.625</b>	<b>156.277.480</b>	<b>318.590.500</b>	<b>86.272.300</b>	<b>712.962.905</b>

The repricing schedule of borrowings as of December 31, 2013 and 2012 are as follows:

<b>December 31, 2013</b>					
	<b>Up to 1 month</b>	<b>1-6 months</b>	<b>6–12 months</b>	<b>Over 1 year</b>	<b>Total</b>
Borrowings from related parties	5.895.093	46.000.000	72.000.000	50.000.000	173.895.093
Borrowings from domestic banks	95.985.041	35.000.000	385.941.300	156.287.200	673.213.541
Borrowings from foreign banks	34.516.141	68.871.600	19.411.483	-	122.799.224
	<b>136.396.275</b>	<b>149.871.600</b>	<b>477.352.783</b>	<b>206.287.200</b>	<b>969.907.858</b>

  

<b>December 31, 2012</b>					
	<b>Up to 1 month</b>	<b>1-6 months</b>	<b>6–12 months</b>	<b>Over 1 year</b>	<b>Total</b>
Borrowings from related parties	3.016.020	8.913.000	-	-	11.929.020
Borrowings from domestic banks	122.338.250	20.000.000	235.287.900	57.826.000	435.452.150
Borrowings from foreign banks	51.980.884	108.550.880	106.819.600	28.446.300	295.797.664
	<b>177.335.154</b>	<b>137.463.880</b>	<b>342.107.500</b>	<b>86.272.300</b>	<b>743.178.834</b>

As of December 31, 2013 the effective interest rates of the borrowings are between 5,20% and 12,00% for TL (December 31, 2012 – between %6,30 and %14,50); between 1,65% and 4,00% for USD and between 1,80% and 4,77% for EUR. (December 31, 2012 – for USD, and Euro interest rates are between %3,50 and %5,83, %2,00 and %5,35 (3M Euribor+4,25 and 3M Euribor+4,55) respectively).

**KOÇ FİNANSMAN A.Ş.**

**Notes to financial statements as of December 31, 2013 (continued)**  
**(Currency –Turkish Lira (TL) unless otherwise stated)**

**1. Funds borrowed (continued)**

As of December 31, 2013 and 2012, the carrying amount and fair values of borrowings are as follows:

	December 31, 2013		December 31, 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
TL borrowings	814.786.784	824.280.348	518.747.208	511.239.917
USD borrowings	58.274.160	58.739.668	72.117.916	71.842.065
Euro borrowings	96.846.914	97.632.175	152.313.710	151.843.544
	<b>969.907.858</b>	<b>980.652.191</b>	<b>743.178.834</b>	<b>734.925.526</b>

As of December 31, 2013, the discount rates used in fair value calculation of the borrowings for TL, USD and Euro are 12,66%, 5,55% and 5,33% respectively.(December 31, 2012 8,95%, 4,03% and 3,54%).

**2. Lease payables**

As of December 31, 2013, the Company has no lease payables (December 31, 2012 – None).

**3. Marketable securities issued**

As of December 31, 2013 and 2012 the Company has no issued bonds.

	December 31, 2013	December 31, 2012
Short term portion of long term bonds issued	334.833.000	295.000.000
Long term bonds issued	255.000.000	334.833.000
Accrued interest payable	15.137.142	19.970.943
<b>Total bonds issued</b>	<b>604.970.142</b>	<b>649.803.943</b>

The details of the bonds issued as of December 31, 2013 are as follows:

- (i) Marketable Securities issued by the Company on October 10, 2013 with nominal value of TL 55.000.000, 23 months maturity, six-month coupon payments 9,44% gross interest rate with respect to the Capital Markets Board approval dated April 30, 2013 in accordance with Capital Market Law numbered 15/492.
- (ii) Marketable Securities issued by the Company on October 4,2013 with nominal value of TL 50.000.000, 24 months maturity, six-month coupon payments 9,74% gross interest rate with respect to the Capital Markets Board approval dated April 30, 2013 in accordance with Capital Market Law numbered 15/492.
- (iii) Marketable Securities issued by the Company on May 6,2013 with nominal value of TL 50.000.000, 24 months maturity, six-month coupon payments 6,57% gross interest rate with respect to the Capital Markets Board approval dated April 30, 2013 in accordance with Capital Market Law numbered 15/492.

**KOÇ FİNANSMAN A.Ş.**

**Notes to financial statements as of December 31, 2013 (continued)**  
**(Currency –Turkish Lira (TL) unless otherwise stated)**

**3. Marketable securities issued (continued)**

- (iv) Marketable Securities issued by the Company on January 17,2013 with nominal value of TL 100.000.000, 24 months maturity, six-month coupon payments 7,56% gross interest rate with respect to the Capital Markets Board approval dated January 4, 2013 in accordance with Capital Market Law numbered 1/5..
- (v) Marketable Securities issued by the Company on November 15,2012 with nominal value of TL 50.000.000, 18 months maturity, three-month coupon payments 7,53% gross interest rate with respect to the Capital Markets Board registration dated November 9, 2012.
- (vi) Marketable Securities issued by the Company on October 15, 2012 according to the Board of Directors decision dated July 17, 2012, with nominal value of TL 100.000.000, 18 months maturity, three-month coupon payments and 8,78% gross interest rate with respect to the Capital Markets Board approval dated October 2, 2012 in accordance with Capital Market Law numbered 2499.
- (vii) Marketable Securities issued by the Company on August 13, 2012 according to the Board of Directors decision dated July 11, 2012, with nominal value of TL 149.833.000, 24 months maturity, six-month coupon payments and 9,80% gross interest rate with respect to the Capital Markets Board approval dated August 1, 2012 in accordance with Capital Market Law numbered 2499.
- (viii) Marketable Securities issued by the Company on March 19, 2012 according to the Board of Directors decision dated July 19, 2011, with nominal value of TL 35,000.000 24 months maturity, six-month coupon payments and 10,63% gross interest rate with respect to the Capital Markets Board approval dated March 15, 2012 in accordance with Capital Market Law numbered 2499.

Nominal amount of bonds redemped within the 12 months amounted to TL 295.000.000 as of December 31, 2013.

**4. Miscellaneous payables**

	<b>December 31, 2013</b>	<b>December 31, 2012</b>
Liabilities to related parties (I-V)	3.199.269	2.661.191
Payables to personnel	1.557.091	1.197.359
Cash guarantees ( I- 6)	833.735	833.735
Incentives payable	522.583	581.005
Other	28.621	272.448
	<b>6.141.299</b>	<b>5.545.738</b>

**5. Other Liability**

	<b>December 31, 2013</b>	<b>December 31, 2012</b>
Loans to be transferred (*)	6.160.062	5.410.711
<b>Total other liabilities</b>	<b>6.160.062</b>	<b>5.410.711</b>

- (\*) The Company discloses, loans for which the contracts were signed, but fund transfers will be performed in the following year in the balance sheet. The principal amount of such loans is recorded as 'financing loans to consumers' in and as 'other liabilities'

**KOÇ FİNANSMAN A.Ş.**

**Notes to financial statements as of December 31, 2013 (continued)**  
**(Currency –Turkish Lira (TL) unless otherwise stated)**

**6. Derivative financial liabilities for hedging purposes**

Details are explained in note I-9.

**7. Taxes and duties payable**

**Taxes and duties payable:**

	<b>December 31, 2013</b>	<b>December 31, 2012</b>
Resource utilization support fund payable	1.797.447	1.721.554
Banking insurance transaction tax payable	1.125.125	1.072.753
Income tax payable	1.131.525	1.870.914
Other	365.165	338.386
<b>Total taxes and duties payable</b>	<b>4.419.262</b>	<b>5.003.607</b>

**8. Provisions**

Provisions consist of reserve for employment termination benefits and other provisions.

**Provisions:**

	<b>December 31, 2013</b>	<b>December 31, 2012</b>
Portfolio provision for loans to consumers	18.954.977	7.738.851
Provision for employment termination benefits	1.667.548	1.527.993
Incentive expenses accrual	501.601	519.278
Provision for unused vacation	162.199	128.304
	<b>21.286.325</b>	<b>9.914.426</b>

Movements of portfolio provision for loans to consumers during the year are as follows:

	<b>December 31, 2013</b>	<b>December 31, 2012</b>
January 1	7.738.851	5.169.886
Provision cancelled	(559.974)	(980.793)
Provision set during the year	11.776.100	3.549.758
<b>December 31</b>	<b>18.954.977</b>	<b>7.738.851</b>

As disclosed in Note II-9, the Company has provided general loan loss calculation for its consumer and commercial loans.

The Company uses a model that contains a variety of parameters for commercial and consumer loans except for mortgage loans that were opened before December 24, 2013. Judgments and estimates used in the model were revised from the beginning of January 1, 2013, based on the Company's past performance and current market conditions. Additional general provision was calculated amounting to TL 8.343.228 compared to the calculation before the revision..

**KOÇ FİNANSMAN A.Ş.**

**Notes to financial statements as of December 31, 2013 (continued)**  
**(Currency –Turkish Lira (TL) unless otherwise stated)**

**8. Provisions (continued)**

For consumer finance loans which opened after December 24,2013 general provision is calculated in accordance with the “Communiqué on Uniform Chart of Accounts, Disclosures and Form and Nature of Financial Statements to be issued by Leasing, Factoring and Consumer Finance Companies” which was issued by the BRSA and published in the Official Gazette dated December 24, 2013, numbered 28861 and “Communiqué amending about Communiqué on Uniform Chart of Accounts, Disclosures and Form and Nature of Financial Statements to be issued by Leasing, Factoring and Consumer Finance Companies” February 7, 2014, numbered 28906.

**Reserve for employee rights**

	<b>December 31, 2013</b>	<b>December 31, 2012</b>
Provision for employment termination benefits	1.667.548	1.527.993
Provision for unused vacation	162.199	128.306
	<b>1.829.747</b>	<b>1.656.299</b>

Provision for employment termination benefits is calculated by considering the following explanations;

Under Turkish Labor Law, the Company is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men).

The liability is not funded, as there is no funding requirement.

The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees.

TAS 19, requires that actuarial valuation methods be developed to estimate the employee termination benefit provision. The following actuarial assumptions have been used in the calculation of the total provision:

	<b>December 31, 2013</b>	<b>December 31, 2012</b>
Net discount rate (%)	4,78	3,86
Rate for possible retirement (%)	94	93

The principal assumption is that the maximum liability of employee termination benefits for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the employee termination benefit ceiling amount of TL 3.254,44, which is effective from July 1, 2013, has been taken into consideration in calculating the provision for employment termination benefits of the Company.

**KOÇ FİNANSMAN A.Ş.**

**Notes to financial statements as of December 31, 2013 (continued)**  
**(Currency –Turkish Lira (TL) unless otherwise stated)**

**8. Provisions (continued)**

The movement in the provision for employment termination benefits during the year is as follows:

	<b>December 31, 2013</b>	<b>December 31, 2012</b>
January 1	1.527.993	1.330.343
Current year service cost	179.097	103.417
Interest cost	145.159	68.574
Actuarial gain/(loss)	37.664	95.676
Payments during the year	(222.365)	(70.017)
<b>31 Aralık</b>	<b>1.667.548</b>	<b>1.527.993</b>

**9. Deferred Income**

**Deferred subvention income:**

	<b>December 31, 2013</b>	<b>December 31, 2012</b>
Short-term deferred subvention income	4.457.387	7.211.867
Long-term deferred subvention income	1.466.339	1.596.954
	<b>5.923.726</b>	<b>8.808.821</b>

Deferred subvention income represents the deferred portion of the subvention income received from distributors during the campaign periods in order to partially compensate the loss incurred by applying relatively lower interest rates on loans granted during the campaigns of those companies.

**10. Current year tax liability**

Details are explained in note I-17.

**11. Deferred tax liability**

Details are explained in note I-17.

**12. Subordinated loans**

As of December 31, 2013 there are no subordinated loans (December 31, 2012 - None).

**13. Liabilities for the assets held for sale and discontinued operations (net):**

As of December 31, 2013 there are no assets held for sale and discontinued operations (December 31, 2012 - None).

**KOÇ FİNANSMAN A.Ş.**

**Notes to financial statements as of December 31, 2013 (continued)**  
**(Currency –Turkish Lira (TL) unless otherwise stated)**

**14. Shareholder's equity**

**14.1 Share capital**

The Company's authorized and issued capital consists of 10.000.000.000 units (2012: 10.000.000.000 units) to the bearer shares of Kr 1 (2012: Kr 1) each. The shareholders of the Company and their shareholding rates as of December 31, 2013 and 2012 are as follows:

	<b>December 31 2013</b>	<b>Shareholding Rate (%)</b>	<b>December 31, 2012</b>	<b>Shareholding Rate (%)</b>
Arçelik A.Ş.	47.000.000	47,0	47.000.000	47,0
Koç Holding A.Ş.	44.500.000	44,5	44.500.000	44,5
Other shareholder	8.500.000	8,5	8.500.000	8,5
<b>Total paid-in capital</b>	<b>100.000.000</b>	<b>100</b>	<b>100.000.000</b>	<b>100</b>

The Company is subject to the registered capital system. The Company's registered capital is TL 150.000.000, issued capital is TL 100.000.000. Furthermore there is no privilege granted to the common stocks representing the share capital.

**14.2 Profit reserves and retained earnings:**

Retained earnings as per the statutory financial statements, other than legal reserve requirements, are available for distribution subject to the legal reserve requirement referred to below.

Net profit achieved from the company's financial statements prepared in accordance with the Turkish Commercial Code, and if the carrying amount after the deduction of losses from previous years;

- The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in share capital,
- The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum,
- Balance amount is distributed as determined by the General Assembly or added as extraordinary reserves to the retained earnings.
- In accordance with the clause 519 article of c of TCC, 10% of the distributable amount is added to legal reserves after 5% profit distribution. Legal reserve is not appropriated if undistributed profit in the balance sheet or/and the profit share is distributed through capital increase.

If the total of legal reserve exceeds the issued capital, General Assembly will set the decision of how to use that which is the legal reserve exceed of half of the issued capital.

In 2013, company distributed dividends in amount of TL 30.000.000. (December 31, 2012: TL 20.000.000)

**14.4 Items that may be reclassified subsequently to profit or loss**

The Company has accounted the net gain amounting to TL 923.448 (December 31, 2012: 1.188.474 TL loss) arising from the swap used in cash flow hedges under equity under "Hedge Revaluation reserve (effective portion)" account as of December 31, 2013.

**KOÇ FİNANSMAN A.Ş.**

**Notes to financial statements as of December 31, 2013 (continued)**  
**(Currency –Turkish Lira (TL) unless otherwise stated)**

**III. Explanation and notes related to off-balance sheet accounts:**

**1. Guarantees received**

As of December 31, 2013, the guarantees received by Company which are booked in their original currencies amounts to TL 61.745.367 (December 31, 2012 -TL 51.153.397).

**2. Guarantees given**

**2.1 Letters of guarantee**

The letters of guarantee given by Company to legal authorities, tax authorities and banks for borrowings amounts to TL 304.741. (December 31, 2012 – TL 185.875 ).

**Litigations against the Company**

As of December 31, 2013, there is no litigation (December 31, 2012: None).

**3. Commitments**

As of December 31, 2013 revocable commitments of the Company which carrying values are original currencies are amount to TL 2.740.958.057, USD 39.887.417 and Euro 45.631.910 (December 31, 2012: TL 2.467.430.074, USD 50.197.660, Euro 94.793.166).

As of December 31, 2013 there are no irrevocable commitments of the Company (December 31, 2012: None)

**4. Derivative financial instruments**

**4.1 Cash flow hedge**

The Company hedged its cash flow risk arising from interest rate and foreign exchange rate volatility of the funds borrowed by using swap transactions.

As of December 31, 2013, forward exchange and swap transactions of the Company with original currencies amount to Euro 21.592.018 and USD 23.495.636 purchase and TL 100.183.189 sales. (December 31, 2012: Euro 38.067.891 and USD 41.532.021 purchase, TL 173.710.791 sales)

**4.2 Held for trading transactions**

As of December 31, 2013, there is no derivative instruments held for trading transactions. (December 31, 2012: None).

**5. Items held in custody**

As of December 31, 2013, items held in custody amounts TL 110.245.885, USD 427.514 and EUR 699.500. (December 31, 2012: TL 174.875).

**KOÇ FİNANSMAN A.Ş.****Notes to financial statements as of December 31, 2013 (continued)**  
**(Currency –Turkish Lira (TL) unless otherwise stated)****IV. Explanation and notes related to statement of income****1. Gross Operating Expenses**

	<b>December 31, 2013</b>	<b>December 31, 2012</b>
Interest income from loans given to consumers	188.182.774	172.371.311
Subvention income	10.366.795	11.662.367
<b>Interest income on loans</b>	<b>198.549.569</b>	<b>184.033.678</b>
Fees and commissions income from loans	26.988.195	25.563.233
Commissions income from subventions	33.251	61.315
Insurance brokerage	7.369.774	4.487.615
Pledge removal	505.399	351.530
<b>Fees and commissions income received from loans</b>	<b>34.896.619</b>	<b>30.463.693</b>
<b>Gross operating income</b>	<b>233.446.188</b>	<b>214.497.371</b>

**2. Operating Expenses**

The distribution of gross operating expenses according to their nature for the years ended December 31, 2013 and 2012 are as follows:

**2.1 Personnel Expenses**

	<b>December 31, 2013</b>	<b>December 31, 2012</b>
Wages and salaries	9.507.981	9.091.220
Bonuses	4.955.756	6.719.958
Other benefits	1.511.520	1.049.282
<b>Total</b>	<b>15.975.257</b>	<b>16.860.460</b>

**2.2. General administration expenses:**

	<b>December 31, 2013</b>	<b>December 31, 2012</b>
Legal expenses	1.435.876	1.188.428
Information technologies and repair and maintenance expenses	1.234.965	1.242.020
Rent Expenses	1.117.944	1.005.127
Administrative Expenses	922.124	1.007.948
Domestic and foreign travel expenses	356.163	272.407
Motor vehicle expenses	206.045	167.607
Communication expenses	158.001	164.136
Other	5.121.280	4.219.222
<b>Total general administration expenses</b>	<b>10.552.398</b>	<b>9.266.895</b>

**KOÇ FİNANSMAN A.Ş.**

**Notes to financial statements as of December 31, 2013 (continued)**  
**(Currency –Turkish Lira (TL) unless otherwise stated)**

**IV. Explanation and notes related to statement of income (continued)**

**2.3 Other operating expenses:**

	<b>December 31, 2013</b>	<b>December 31, 2012</b>
Provision expenses	11.216.126	2.568.965
Depreciation and amortization expenses (*) (I-14) (I-15)	869.622	1.082.903
Taxes and duties	421.593	368.637
Unused unused vacation	33.893	-
<b>Total other operating expenses</b>	<b>12.541.234</b>	<b>4.020.505</b>

(\*) The amount also includes depreciation of leasehold improvements amounting to TL 24.926 which is accounted under other assets in the financials.(December 31,2012: TL 34.098)

**3. Other Operating Income**

Other operating income for the years ended December 31, 2013 and 2012 are as follows:

**3.1 Interest received from banks**

	<b>December 31, 2013</b>	<b>December 31, 2012</b>
Interest income from banks	6.131.826	6.734.958

**3.2 Gains on derivative financial instruments**

	<b>December 31, 2013</b>	<b>December 31, 2012</b>
Gains on derivative financial instruments	6.581	553.911

**3.3 Foreign exchange gains**

	<b>December 31, 2013</b>	<b>December 31, 2012</b>
Foreign exchange gains	39.390.327	34.569.313

**3.4 Other Operating Income**

	<b>December 31, 2013</b>	<b>December 31, 2012</b>
Income from loans under legal follow-up through attorney	1.533.863	1.617.041
Income from provisions no longer required	-	2.770.791
Other	607.244	1.387.658
<b>Total</b>	<b>2.141.107</b>	<b>5.775.490</b>

**KOÇ FİNANSMAN A.Ş.**

**Notes to financial statements as of December 31, 2013 (continued)**  
**(Currency –Turkish Lira (TL) unless otherwise stated)**

**IV. Explanation and notes related to statement of income (continued)**

**4. Specific provisions for non-performing loans**

	<b>December 31, 2013</b>	<b>December 31, 2012</b>
Allowance for doubtful receivables	10.622.965	7.087.669

**5. Other operating expenses**

**5.1. Derivative financial transaction losses**

	<b>December 31, 2013</b>	<b>December 31, 2012</b>
Loss on derivative financial instruments	80.104	64.075

**5.2. Foreign exchange losses**

	<b>December 31, 2013</b>	<b>December 31, 2012</b>
Foreign exchange losses	38.836.193	34.829.034

**KOÇ FİNANSMAN A.Ş.**

**Notes to financial statements as of December 31, 2013 (continued)**  
**(Currency –Turkish Lira (TL) unless otherwise stated)**

**V. Related party disclosures**

**1. Balances with related parties**

**a. Deposits held with commercial banks**

	<b>December 31, 2013</b>	<b>December 31, 2012</b>
Yapı ve Kredi Bankası A.Ş. ("Yapı Kredi Bankası")	7.649.994	43.231.720
<b>Total deposits held with commercial banks</b>	<b>7.649.994</b>	<b>43.231.720</b>

**b. Other Receivables from Related Parties:**

	<b>December 31, 2013</b>	<b>December 31, 2012</b>
Ford Otomotiv Sanayi A.Ş. ("Ford Otosan")	137.071	27.576
Türk Traktör ve Ziraat Makinaları A.Ş. ("Türk Traktör")	415.946	-
<b>Total other receivables from related parties</b>	<b>553.017</b>	<b>27.576</b>

**c. Borrowings from Related Parties:**

	<b>December 31, 2013</b>	<b>December 31, 2012</b>
Yapı ve Kredi Bankası A.Ş. ("Yapı ve Kredi Bankası")	133.670.000	11.770.969
Yapı Kredi Bank Nederland NV ("Yapı Kredi Netherland")	35.000.000	-
<b>Total borrowings from related parties</b>	<b>168.670.000</b>	<b>11.770.969</b>

**d. Due to Related Parties**

	<b>December 31, 2013</b>	<b>December 31, 2012</b>
<b>- Parent Companies:</b>		
Koç Holding A.Ş. ("Koç Holding")	2.855.640	2.372.130
Zer Merkezi Hizmetler ve Ticaret A.Ş. ("Zer Ticaret")	108.441	74.509
<b>- Other Related Parties:</b>		
Otokoç Otomotiv Ticaret ve Sanayi A.Ş. ("Otokoç")	238.923	320.593
Koç Sistem Bilgi ve İletişim Hizm. A.Ş. ("Koç Sistem")	124.960	144.185
Opet Petrolcülük A.Ş. ("Opet Petrolcülük")	8.054	6.635
Setur Servis Turistik A.Ş. ("Setur")	19.369	13.069
Yapı Kredi Sigorta A.Ş. ("Yapı Kredi Sigorta")	17.737	15.839
Other	29.549	13.073
<b>Total due to related parties</b>	<b>3.402.673</b>	<b>2.960.033</b>

(\*) 206.760 TL is related to loan incentive bonus. (December 31, 2012: TL 298.843)

**KOÇ FİNANSMAN A.Ş.**

Notes to financial statements as of December 31, 2013 (continued)  
(Currency –Turkish Lira (TL) unless otherwise stated)

**V. Transactions with related parties (continued)****e. Payments made to board of directors and key management personnel:**

	December 31, 2013	December 31, 2012
Payments made to board of directors and key management personnel	1.739.932	3.583.265

**f. Purchase of tangible and intangible assets from related parties:**

	December 31, 2013	December 31, 2012
<b>- Other Related Parties:</b>		
Koç Sistem Bilgi ve İletişim Hizm. A.Ş. ("Koç Sistem")	316.963	1.016.320
Zer Merkezi Hizmetler ve Ticaret A.Ş. ("Zer Ticaret")	29.196	-
<b>Total purchase of tangible and intangible assets from related parties</b>	<b>346.159</b>	<b>1.016.320</b>

**g. Subventions received from related parties:**

	December 31, 2013	December 31, 2012
Türk Traktör ve Ziraat Makineleri A.Ş. ("Türk Traktör")	1.076.319	-
Ford Otomotiv Sanayi A.Ş. ("Ford Otosan")	725.492	2.663.957
Otokoç Otomotiv Ticaret ve Sanayi A.Ş. ("Otokoç")	342.209	366.918
Koç University	33.026	61.315
<b>Total subventions received from related parties</b>	<b>2.177.046</b>	<b>3.092.190</b>

Subventions received from related parties represent the subvention income collected during the period with regards to the loans opened in that period. The subvention income is deferred and recognised as an adjustment of the effective interest rate of loans

**h. Interest income / expenses, derivative and foreign exchange gains / losses with related parties (net)**

	December 31, 2013	December 31, 2012
<b>- Other Related Parties:</b>		
Yapı Kredi Bank Nederland NV ("Yapı Kredi Nederland")	2.361.990	4.617.619
Yapı ve Kredi Bankası A.Ş. ("Yapı Kredi Bankası")	(15.756.939)	5.876.567
<b>Total interest income/expenses and foreign exchange gains /(losses) with related parties (net)</b>	<b>(13.394.949)</b>	<b>10.494.186</b>

**KOÇ FİNANSMAN A.Ş.**

**Notes to financial statements as of December 31, 2013 (continued)**  
**(Currency –Turkish Lira (TL) unless otherwise stated)**

**V. Transactions with related parties (continued)****i. Other Purchases from Related Parties**

	<b>December 31, 2013</b>	<b>December 31, 2012</b>
<b>- Parent Companies:</b>		
Koç Holding A.Ş.	3.484.628	2.894.648
Zer Merkezi Hizmetler ve Ticaret A.Ş. ("Zer Ticaret")	786.292	696.931
<b>- Other Related Parties:</b>		
Otokoç Otomotiv Ticaret ve Sanayi A.Ş. ("Otokoç")	2.148.960	2.115.595
Koç Sistem Bilgi ve İletişim Hizm. A.Ş. ("Koç Sistem")	945.905	2.299.929
Vehbi Koç Vakfı	250.000	250.000
Yapı Kredi Sigorta A.Ş. ("Yapı Kredi Sigorta")	231.918	210.950
Setur Servis Turistik A.Ş. ("Setur")	215.786	153.593
Opet Petrolcülük A.Ş. ("Opet Petrolcülük")	179.652	147.200
Eltek Elektrik Enerjisi İthalat İhracat ve Toptan Ticaret A.Ş. ("Eltek")	169.381	164.639
Tanı Pazarlama ve İletişim Hizmetleri A.Ş. ("Tanı")	2.168	2.229
Other- other related party	300.453	107.579
<b>Total other purchases from related parties</b>	<b>8.715.143</b>	<b>9.043.293</b>

**j. Bank and Commission Expenses to Related Parties:**

	<b>December 31, 2013</b>	<b>December 31, 2012</b>
Yapı ve Kredi Bankası A.Ş. ("Yapı Kredi Bankası")	20.870	8.919
<b>Total bank and commission expenses to related parties</b>	<b>20.870</b>	<b>8.919</b>

**k. Rent expense to related parties:**

	<b>December 31, 2013</b>	<b>December 31, 2012</b>
Koç Family	1.117.944	1.005.127
<b>Total Rent expense to related parties</b>	<b>1.117.944</b>	<b>1.005.127</b>

**l. Brokerage services obtained from related parties**

	<b>December 31, 2013</b>	<b>December 31, 2012</b>
Yapı Kredi Yatırım Menkul Değerler A.Ş. ("Yapı Kredi Menkul")	202.125	-
<b>Total Brokerage services obtained from related parties</b>	<b>202.125</b>	<b>-</b>

**VI. Subsequent events**

Monetary assets and liabilities denominated in foreign currencies at the balance sheet are converted to TL by Central Bank foreign currency exchange rates prevailing at the period end. As of December 31, 2012, assets and liabilities denominated in foreign currency were translated into TL using foreign exchange rates of 1 USD = TL 2,1343 and 1 Euro= TL 2,9365. As of February 18, 2014, USD and EUR exchange rates were appreciated by 2,2% to TL 2,1810 and by %1,8 to TL 2,9891.

## **KOÇ FİNANSMAN A.Ş.**

**Notes to financial statements as of December 31, 2013 (continued)**  
**(Currency –Turkish Lira (TL) unless otherwise stated)**

### **Section Five**

#### **Information on financial structure**

##### **1. Nature and level of risks arising from financial instruments**

The Company's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risks or combination of risks. The Company's objective of asset and liability management and use of financial instruments is therefore to achieve an appropriate balance between risk and return and to limit the Company's exposure to liquidity risk, interest rate risk and foreign exchange risk, while ensuring that the Company is using its capital to maximise net interest income.

Company risk management is carried out with the policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments.

##### **1.1 Credit Risk**

Financial instruments contain an element of risk that the counterparties may be unable to meet the terms of the agreements. The Company's exposure to credit risk is concentrated in Turkey. This risk is monitored by reference to evaluation of credit risk ratings of consumers and managed by limiting the aggregate risk to any individual counterparty. The Company has in place certain credit evaluation, disbursement and monitoring procedures, and those control procedures are supported by senior management. The credit risk is generally diversified due to the large number of individuals comprising the consumer bases. A total provision of TL 44.525.206 (December 31, 2012: TL 22.766.939) was accounted against uncollectibility of loans given.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

The rules and applications to obtain a strong, high quality, productive and sustainably growing credit portfolio forms the Company's credit policies.

The Company monitors the performance of loan consumers on continuous basis using advanced risk analysis tools such as vintage curves, aging analysis and realized loss calculations. Loans past due are followed up by the Legal Follow-Up Department.

Credit risk is a party's risk of being subject to a financial loss due to a counterparty's inability to fulfill its obligation related to financial instruments. The Company is trying to manage its credit risk through limiting transactions to certain parties and through evaluating of reliability of the parties continuously. The Company's policy is that all the customers are subject to credit screening procedures and necessary guarantees are obtained. Consumer financing loan balances are monitored on an ongoing basis in order to ensure that the Company's exposure to bad debts is not significant.

Intensity of credit risk occurs if several companies are susceptible to be affected from an economical or political change in the same way as others due to fact that they are operating in similar industries or are situated in similar locations. The concentration of credit risk reveals sensitivity of the Company to developments which effects certain industry or geographical area.

The Company does not have any sector-specific concentration. The Company guarantees loans to real persons and legal persons which are residents in Turkey.

As of December 31, 2013 and 2012, the maximum exposure of the Company to credit risk is disclosed in Notes I-3, I-6, I-7 and I-8.

**KOÇ FİNANSMAN A.Ş.**

**Notes to financial statements as of December 31, 2013 (continued)**  
**(Currency –Turkish Lira (TL) unless otherwise stated)**

**1. Nature and level of risks arising from financial instruments (continued).**

The details of the loans past due but not impaired which are classified under the performing loans as of December 31, 2013 and 2012 are as follows:

	<b>December 31, 2013</b>			
	<b>Motor Loans</b>	<b>Durable Consumption Good Loans</b>	<b>Mortgage and Housing Collateral Loans</b>	<b>Total</b>
Loans past due but not impaired	9.603.672	87.516	60.994	9.752.181
Fair value of collateral	9.603.672	-	60.994	9.664.666

	<b>December 31, 2012</b>			
	<b>Motor Loans</b>	<b>Durable Consumption Good Loans</b>	<b>Mortgage and Housing Collateral Loans</b>	<b>Total</b>
Loans past due but not impaired	9.922.738	72.442	62	9.995.242
Fair value of collateral	9.922.585	-	62	9.922.647

Bad debt restructuring is not common procedure during the collection and pre legal process however the payment plan can be rescheduled during legal follow up considering the consumer payment ability, under authority of legal follow-up department

***Impairment and politics of impairment provision***

The total impairment provision for loans is TL 44.525.206 (December 31, 2012: TL 22.766.939) of which TL 25.570.229 (December 31, 2012: TL 15.028.088) represents the specific provision and the remaining amount of TL 18.954.977 (December 31, 2012: TL 7.738.851) represents the general reserve.

The Company's provision policy is based on the provisions of Regulation on the Accounting Practices and Financial Statements of Financial Leasing, Factoreing and Financing Companies published in the Official Gazette dated December 24, 2013 and numbered 28861.

The details of the loans impaired which are classified under the non- performing loans are as follows:

	<b>December 31, 2013</b>	<b>December 31, 2012</b>
Impaired loans	51.777.563	42.148.232
Fair value of collateral	24.876.760	26.604.488

**1.2 Market risk:**

The Company considers foreign currency risk and interest rate risk as the most important constituents of market risk. Currency and interest rate risks are analysed both on portfolio and product basis.

**KOÇ FİNANSMAN A.Ş.****Notes to financial statements as of December 31, 2013 (continued)**  
**(Currency –Turkish Lira (TL) unless otherwise stated)****1. Nature and level of risks arising from financial instruments (continued)****1.3 Foreign currency risk**

Foreign exchange exposure is the result of the mismatch of foreign currency denominated assets and liabilities. This risk is managed by using foreign exchange forwards and foreign exchange deposits. The Company also manages its foreign currency risk by using derivative financial instruments in order to keep the open foreign exchange exposure at a certain level.

Foreign currency indexed loans are included in the net balance sheet foreign currency position calculation but not presented as foreign currency asset in the frame of the financial statements of the Company as of December 31, 2013 and 2012.

The tables below summarize the Company's assets and liabilities in original currency amounts and the corresponding TL value as of December 31, 2013 and 2012:

	<b>December 31, 2013</b>	<b>December 31, 2012</b>
Assets	44.431.858	67.362.647
Liabilities	(155.121.075)	(224.431.626)
<b>Net foreign currency position in the balance sheet</b>	<b>(110.689.217)</b>	<b>(157.068.979)</b>
Derivative financial instruments	113.551.697	163.559.240
<b>Net foreign currency position</b>	<b>2.862.480</b>	<b>6.490.261</b>

As of December 31, 2012, assets and liabilities denominated in foreign currency were translated into TL using foreign exchange rates of 1 USD = TL 2,1343 and 1 Euro= TL 2,9365 (2011: 1 USD = TL 1,7826 and 1 Euro = TL 2,3517).

	<b>December 31, 2013</b>		<b>December 31, 2012</b>	
	<b>USD</b>	<b>EUR</b>	<b>USD</b>	<b>EUR</b>
<b>Assets:</b>				
- Banks	1.611.985	4.235.043	63.574	39.533.826
- Foreign currency indexed loans	8.490.300	30.094.444	1.601.954	26.148.371
- Foreign currency indexed loans under follow-up (*)	-	86	-	14.921
	<b>10.102.285</b>	<b>34.329.573</b>	<b>1.665.529</b>	<b>65.697.118</b>
<b>Liabilities:</b>				
- Short-term bank borrowings	-	-	5.009.106	44.682.300
- Short-term portion of long-term borrowings	46.954.600	95.157.283	26.739.000	75.019.230
- Accrued interest payable	2.782.360	1.689.632	1.152.609	2.040.080
- Long term borrowings	8.537.200	-	39.217.200	30.572.100
	<b>58.274.160</b>	<b>96.846.915</b>	<b>72.117.915</b>	<b>152.313.710</b>
<b>Net foreign currency position in the balance sheet</b>	<b>(48.171.875)</b>	<b>(62.517.342)</b>	<b>(70.452.387)</b>	<b>(86.616.592)</b>
<b>Off balance sheet:</b>				
- Derivative financial instruments	50.146.736	63.404.961	74.034.981	89.524.259
<b>Net foreign currency position</b>	<b>1.974.861</b>	<b>887.619</b>	<b>3.582.594</b>	<b>2.907.667</b>

(\*) Foreign currency indexed loans under follow-up are included in the net foreign currency position table above, however they are ignored in the calculation of net income effect of sensitivity since they are not subject to foreign exchange valuation.

**KOÇ FİNANSMAN A.Ş.**

**Notes to financial statements as of December 31, 2013 (continued)**  
**(Currency –Turkish Lira (TL) unless otherwise stated)**

**1. Nature and level of risks arising from financial instruments (continued)**

As of December 31, 2013; had TL weakened/strengthened by 10% against USD, with all other variables held constant, pre-tax income for the period would have decreased /increased by TL 197.486 (December 31, 2012: would have decreased/increased TL 358.259) as a result of foreign exchange gains/losses of borrowings, cash and cash equivalents and foreign currency indexed loans.

As of December 31, 2013; had TL strengthened / weakened by 10% against Euro, with all other variables held constant, income before tax for the period would have decreased /increased by TL 88.762 (December 31, 2012: would have decreased/increased TL 290.767) as a result of foreign exchange gains/losses of borrowings, cash and cash equivalents and foreign currency indexed loans.

**1.4 Interest rate risk**

The Company is exposed to interest rate risk through the impact of rate changes on interest-sensitive assets and liabilities. In Turkey, the interest rates are volatile. Therefore, interest rate risk is the key component of the Company's asset and liability management. Interest rate risk is managed on a portfolio basis by using natural hedges that arise from offsetting interest rate sensitive assets and liabilities. Special emphasis is given to providing a balance between the duration of assets and liabilities. Duration and gap analyses are the main methods used to manage such risks.

The Company is funding its long term fixed rate loan portfolio by obtaining long term floating rate foreign currency funds from international markets. With funds obtained from international markets, The Company creates long term foreign currency liquidity and converts to TL liquidity by implementing long term swap transactions. In this way, The company generates funding source for long-term fixed-rate TL loans and hedges interest and currency risks.

The table below summarises the effective average interest rates as % for financial instruments by major currencies outstanding as of December 31, 2013 and 2012:

	December 31, 2013			December 31, 2012		
	USD	Euro	TL	USD	Euro	TL
<b>Assets</b>						
Cash and cash equivalents	1,10	2,34	5,71	-	2,90	-
Loans and advances given to consumers						
- Automotive loans	4,95	5,88	12,07	5,43	6,62	13,27
- Durable consumption goods loans	-	-	14,94	-	-	15,24
- Mortgage loans			11,53			13,27
<b>Liabilities</b>						
Bank borrowings	3,61	2,46	7,01	3,55	3,06	9,30
Securities issued	-	-	8,67	-	-	8,84

As of December 31, 2013 the Company has no floating interest rate assets and floating interest rate liabilities are composed of borrowings. The Company hedged most of the borrowings by cross currency swaps.

**KOÇ FİNANSMAN A.Ş.****Notes to financial statements as of December 31, 2013 (continued)**  
**(Currency –Turkish Lira (TL) unless otherwise stated)****1. Nature and level of risks arising from financial instruments (continued)****1.5 Liquidity risk**

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. To ensure professional cash flow management, the Company's Finance department regularly prepares cash flow statements and carries out cash flow forecasts.

The following table below presents the cash flows payable by the Company for its on balance sheet liabilities by remaining contractual maturities as of the balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows, and the Company manages inherent liquidity risk based on expected undiscounted cash inflows.

<b>December 31, 2013</b>	<b>Up to 1 month</b>	<b>1-6 months</b>	<b>6-12 months</b>	<b>Over 1 year</b>	<b>Total</b>
Borrowings received	111.484.730	158.340.120	343.050.403	443.658.815	1.056.534.068
Bills and bonds issued	5.960.900	204.805.610	167.486.900	270.247.330	648.500.740
<b>Total Liabilities (based on contractual maturity dates)</b>	<b>117.445.630</b>	<b>363.145.730</b>	<b>510.537.303</b>	<b>713.906.145</b>	<b>1.705.034.808</b>

<b>December 31, 2012</b>	<b>Up to 1 month</b>	<b>1-6 months</b>	<b>6-12 months</b>	<b>Over 1 year</b>	<b>Total</b>
Borrowings received	147.777.378	154.617.548	358.731.422	117.137.520	778.263.867
Bills and bonds issued	3.695.720	20.485.335	336.491.695	357.597.180	718.269.930
<b>Total Liabilities (based on contractual maturity dates)</b>	<b>151.473.098</b>	<b>175.102.883</b>	<b>695.223.117</b>	<b>474.734.700</b>	<b>1.496.533.798</b>

**Derivative instruments**

<b>December 31, 2013</b>	<b>Up to 1 month</b>	<b>1-6 months</b>	<b>6-12 months</b>	<b>Over 1 year</b>	<b>Total</b>
Derivative instruments – Buying	39.581.927	62.071.987	11.897.783	-	113.551.697
Derivative instruments -Selling	(34.850.922)	(53.899.960)	(11.432.307)	-	(100.183.189)
<b>Total liabilities (based on contractual maturity dates)</b>	<b>4.731.005</b>	<b>8.172.027</b>	<b>465.476</b>	<b>-</b>	<b>13.368.508</b>

<b>December 31, 2012</b>	<b>Up to 1 month</b>	<b>1-6 months</b>	<b>6-12 months</b>	<b>Over 1 year</b>	<b>Total</b>
Derivative instruments – Buying	58.877	18.198.236	79.355.191	65.946.936	163.559.240
Derivative instruments -Selling	(57.022)	(19.180.369)	(82.695.952)	(71.777.448)	(173.710.791)
<b>Total liabilities (based on contractual maturity dates)</b>	<b>1.855</b>	<b>(982.133)</b>	<b>(3.340.761)</b>	<b>(5.830.512)</b>	<b>(10.151.551)</b>

Expected re-pricing and maturity dates do not differ from the contract dates excluding borrowings, therefore no additional table is included which summarise the Company's assets and liabilities in carrying amounts classified in terms of periods remaining to contractual re-pricing dates. The maturity groupings of borrowings as of December 31, 2013 and 2012 based on the remaining period as of balance sheet date to the contractual re-pricing dates are disclosed at section 4 note II-2.

**KOÇ FİNANSMAN A.Ş.**

**Notes to financial statements as of December 31, 2013 (continued)**  
**(Currency –Turkish Lira (TL) unless otherwise stated)**

**1. Nature and level of risks arising from financial instruments (continued)**

**1.6 Capital risk management:**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including borrowings and bonds issued, as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as equity, as shown in the balance sheet, plus net debt.

The gearing ratios as of December 31, 2013 and 2012 are as follows:

	<b>December 31, 2013</b>	<b>December 31, 2012</b>
Total liabilities	1.574.878.000	1.392.982.776
Less: Banks (I-3)	(15.224.713)	(47.720.009)
Net liabilities	1.559.653.286	1.345.262.767
Total shareholders' equity	172.974.568	170.160.896
<b>Liability / shareholders' equity ratio</b>	<b>9,02</b>	<b>7,91</b>

**1.7 Fair value of financial instruments**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realise in a current market exchange.

The following methods and assumptions were used to estimate the fair value of the financial instruments.

**1.7.1 Financial assets**

Balances denominated in foreign currencies are translated as of year-end exchange rates. They are considered to approximate their respective carrying values.

The fair values of certain financial assets carried at cost, including cash and due from banks plus the respective accrued interest and other financial assets are considered to approximate their respective carrying values due to their short-term nature.

The fair values of financing loans are explained in Section 4, note I-6.

**KOÇ FİNANSMAN A.Ş.**

**Notes to financial statements as of December 31, 2013 (continued)**  
**(Currency –Turkish Lira (TL) unless otherwise stated)**

**1. Nature and level of risks arising from financial instruments (continued)**

**1.7.2 Financial liabilities**

The fair values of bank borrowings are calculated based on discounted cash flows by using the existing market rates (Section 4, note II-2).

The fair values of bonds and bills issued are calculated based on discounted cash flows by using the existing market rates (Section 4, note II-4).

**1.8 Fair value measurements**

The Company classifies the fair value measurement of each class of financial instruments according to the source, using the three-level hierarchy, as follows;

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that is not based on observable market data (that is, unobservable inputs).

	<b>December 31, 2013</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Cash flow hedge	<b>15.698.688</b>	-	<b>15.698.688</b>	-

	<b>December 31, 2012</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Cash flow hedge	<b>(2.596.316)</b>	-	<b>(2.596.316)</b>	-

As of December 31, 2013, the Company has not made transfer between second level and first level, and also between third level and other levels.

**2. Disclosure of other matters**

**2.1 Compatibility with ratio limits**

According to 23rd article of “Regulation on the Establishment and Operations of Factoring, Leasing and Consumer Finance Companies” which was published in the Official Gazette dated October 10, 2006 and numbered 26315, total volume of Shareholder’s Equity is not allowed to exceed 3% of the total assets.

	<b>December 31, 2013</b>	<b>December 31, 2012</b>
Shareholder’s equity	172.974.568	170.160.894
Total Assets	1.794.362.805	1.602.828.449
	<b>%9,6</b>	<b>%10,6</b>

As of December 31, 2013, there is no breach in financial statements for the related ratio requirement.